# Road transport licensing: quantity or quality?

**by Bob Stott**

ONE of the most significant debates this decade, from e road transport industry point of view, is expected to get under way when the Transport Advisory Council meets on February 24.

The Council is expected to consider whether road transport licensing should continue to be based on quantity, nr be based aimply on quality.

Transport licensing waa introduced because "it was recognised that unregulated competition had resulted in duplication and even triplication of transport facilitiea and that it had forced the natinnal overhead of transport costs up tn a level that tended to retard the progress of industry and trade." That'a a quote from 1934, and the speaker was the then Minister of Transport, Gordon Coates — no trendy, lefty.

The basis of the legislation — a basis which cootinues today — was that licensing abould be aimed at matching the numbers of trucks on the roads with the traffic offering — quantative licensing. To this day when considering licence application, licensing authorities must take into account public interest, how the proposed service will advance it, the applicant's ability to run the service, and its effects on other transport services.

If licensing was based on qualitative grounds, the applicant's ability to run a service would become of prime importance, but the "effects on other transport operators" would be immaterial.

If a move was made to qualitative licensing, the sole basis for issuing or with-holding a licence from a prospective new entrant into road transport might be his ability to make a go of it from the points of view of both available akill and available capital.

Other regulations defining commodities which can be carried and areas in which a carrier may work presumably would be scraped — there's no point in issuing licenses to any competent person and then confining him to a certain area; that would produce the situation where quality governed the issuing of a licence, but quantity governed its uae.

What would be the effect of allowing any competent person to get into road transport and allowing all carriers free rein except in regard to the 150km limit?

In the United States the Motor Carrier Act 1980 aimed to achieve competition and growth in the trucking induatry. It was hoped that large users of transport would see improvements in common carrier services and would therefore dispose of their own fleets, giving better utilisation and an economic gain nationally.

The American trucking industry had been structured similarly to New Zealand's, although that country has not had legislative protection for railways. Common carriers, generally the same as ours were controlled as to what commodities they could carry and what areas they could work in.

Contract carriers were truckies limited to working under contract to a single firm. Here, many truckies are tied to single customers, such as the owner-drivers contracting to freight forwarders or many trucks working on deliveries.

The United States had exempt carriers, most of whom hauled farming produce. We have these here too — farmers are largely free from regulation, as are a host of "service"-type cartage jobs such as milk delivery, funeral directors, refuse collectors and so on.

The United States has had private carriers, allowed to haul only their owners' goods. Oil company tankers, ice cream lorries, building suppliers, merchants' trucks ... here, similarly, the list is long. We call them "ancilliaries" because the cartage role is ancilliary to some other function such as manufacturing or warehousing.

Only the common carrier is able to ply for hire like a taxi — all others have certain limitations, both here today and formerly in America. So the biscuit factory's truck running from, say, the Hutt Valley to Hawke's Bay cannot back-load with a few tons of someone else's goods.

So what is happening in America? Are common carriers sweeping the board? Is competition beginning to lower the cost to the user?

So far, this doesn't seem to be happening. One trend which is becoming apparent is that the truckies which we would call ancilliaries are begioning to act like common carriers — as they are free to do.

Large corporations in the United States, which have big fleets of trucks carrying their own products are actively looking for back loads — and because they're going to a destination anyway (and always have done), they can offer cut-throat rates of freight.

Some corporations have talked of taking the next logical step — converting an ancilliary cartage business into a fully fledged common carrier operation.

So if a huge corporation like General Motors starts chasing extra work for the trucks it already has to own, to service its own needs, then common carriers are going to be running scared.

The threat here is real from a common carrier's point of view. A switch to licensing based solely on qualitative grounds would spark off competition between common carriers, but presumably it would allow every other truck owner to muscle in.

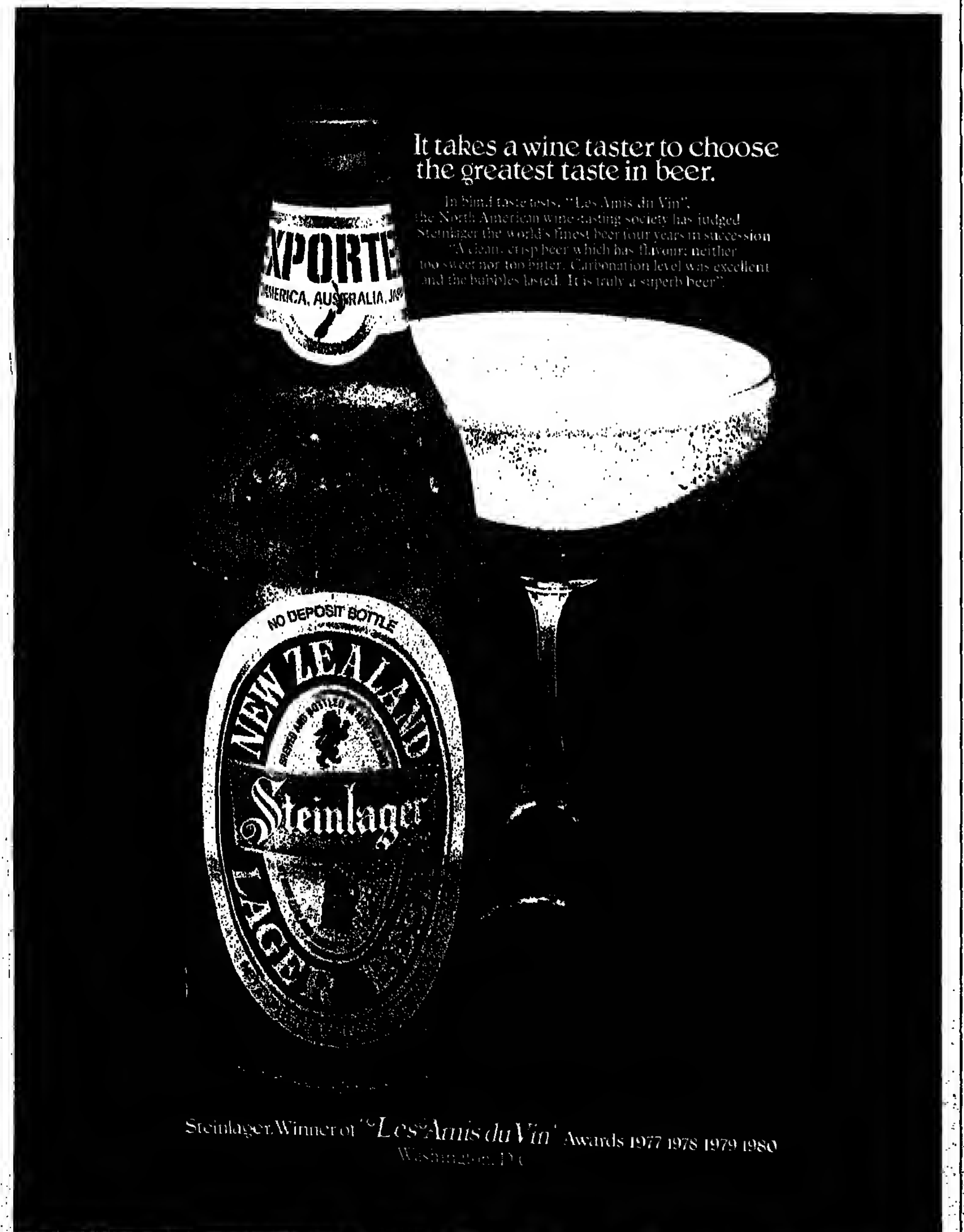
Common carriers here have about 16,000 vehicles on the road, but the total heavy vehicle fleet numbers 100,000.

The common carrier, licensed to ply for hire and reward, is, outnumbered.

From the user's point of view, from a national point of view, would a switch to qualitative licensing be a disaster? Would there be a net economic benefit in getting "ancilliary" trucks to a position where they could back-load (and bear in mind that the ancilliaries are generally inefficient insofar as they can't back-load, so they mostly run empty half the time).

Would increased competition between common carriers bring benefits to users and the nation?

These are questions everyone who uses transport should think hard about.

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NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

NATIONAL BUSINESS REVIEW

Incorporating Admark

80 cents

## Inside



# Turbulence on Skybus board: bumpy flight ahead

**by Gordon McLeuchlan and Warren Berryman**

THE Aqua Avia Society and its Skybus plans are in a tailspin.

Innes Wallace Kelly — the man whose appointment to the directorate was involved in the resignations from the board a fortnight ago — is known to be wanted in the United States for interview by the Department of Justice in connection with violation of parole and other matters.

Kelly was appointed to the board by founder member and Christchurch solicitor John Rutherford a few weeks ago.

Kelly was then going under the name of Whaka Kele. When *NBR* contacted him at Rutherford's home last week, he at first denied, then later admitted, that he was Innes Wallace Kelly.

Asked if he had been served a writ in connection with a bankruptcy petition under the name of Innes Wallace Kelly recently, he said he had.

Why did he accept a writ in the name of Innes Wallace Kelly if that was not his name?

"Because it's a logical explanation that my name is Whaka Kele and it's so close ..."

Asked to confirm that he was not Innes Wallace Kelly, but had accepted a writ in that name, he replied that was so.

In the same interview, Kelly later agreed that he had lived in the United States under the name Innes Wallace Kelly.

Asked if he was wanted there for violation of parole, he said at first that he was, then denied it, but when the question was put again, said "I can't comment on that".

Within 10 minutes of the interview ending, Rutherford called and told *NBR* that Kelly had withdrawn from the board and was no longer associated with Aqua Avis.

"His attitude is that he doesn't want to do anything to harm the society or stop it getting into business," he said.

Rutherford said Kelly had earlier told him that he had had "some trouble" in the United States but, "I said as long as there's nothing current" his experience as a travel agent in Los Angeles and other parts of America "was just the kind of experience we needed".

Meantime, the founder of the society and former chief executive Matt Thompson is reported as ill in Sydney and unlikely to resume active interest in the affairs of the society for some time.

Thompson is known to face personal financial problems after the dissolution of his Nationwide operation.

There was growing dissention at the week's end among society executives about who was running the society.

Chairman Sir Reginald Barnewell was back in Australia and there is no effective board until March 4, when a general meeting will elect a new directorote, following the resignations.

Barnewell has had a business association with Rutherford for 15 years as a fellow director of a company called the International Group.

Rutherford said last week that the company was developing a product for NASA in the United States. Asked if that had been under way for 15 years, he replied that originally International Group was set up for land development near Brisbane, in Australia, but the New Zealand Government had forestalled its activities.

When the crisis among the Aqua Avia board members

Continued on Page 5

# Mining industry in jeopardy

**by Warren Berryman**

ELECTION year politicking in a climate of emotion and ignorance threatens to strangle the embryonic mining industry.

Mineral exploration has become one of our biggest growth industries. Attracted by good prospects and a favourable mining tax regime, explorers have been flocking to take up licences.

Hard-rock mineral exploration expenditure was less than $1.5 million three years ago. This year it will approach $10 million.

The newly formed Mineral Exploration Association estimates development costs of $200 million in the next five years and a $2000 million export earning within 10 years from known prospects alone.

But the biggest exploration boom since the gold rushes is being muffled as:

- Environmental groups and individuals swarm to the Coromandel to use the labyrinth of planning laws to stall prospecting projects;
- Labour and Social Credit jump on the anti-mining bandwagon;
- Mining Minister Bill Birch considers changes to the rules of the game which mining companies have been playing by amending the law so that a successful prospector may not automatically be given the right to mine.

Birch toured the Coromandel last week in search of answers to help him deal with the controversial mining issue.

He has already hired Link Consultants to study proposed amendments to the Mining Act.

The legislative changes he is considering would remove the keystone on which every high-risk mineral exploration investment decision is based — the secured right of a mining company to prospect and mine a site if it beats the tremendous odds and hits the jackpot.

Explorers want to retain the automatic right to mine. They argue that they might invest millions of dollars in successful exploration but be prevented from mining by a future Government keen on nationalising their find, become bogged down in planning procedures, or have conditions imposed that makes the mine uneconomic.

Holders of exploration licences invest in the knowledge they will be first to receive a prospecting licence. Holders of prospecting licences invest — millions of dollars may be involved — because the Mining Act gives them the right to mine if they are successful.

Environmentalists have been blocking exploration with objections to water rights for drilling and objections to building access roads and tracks

Environmentalists essentially object not to exploration but to the automatic right to mine for a successful prospecting licence-holder. But they raise the issue publicly at the exploration stage because, under the Act, once a prospecting licence is granted, the mining right will be granted automatically with no chance for a later public hearing. There is no formal procedure for challenging a prospector once he has secured a licence.

Miners counter that there are indirect lobbying procedures: the minister can impose conditions on mining licences he grants. Mines take at least 10 years to develop, and our triennial elections give more than one opportunity to boot out a minister who makes an environmentally disastrous decision.

Continued on Page 16

# Manufacturers harden CER line

**by Allan Parker**

MANUFACTURERS are hardening their stance towards a closer economic relationship (CER) with Australia.

The Manufacturers' Federation has adopted a policy that significantly alters its previous attitude on trans-Tasman links.

The federation will discuss the new policy at a Cabinet Economic Committee meeting before Prime Ministers Rob Muldoon and Malcolm Fraser meet, probably towards the end of next month.

Previously, the federation, which represents most of the country's manufacturing sector, has accepted the principle of CER and worked with officials towards its adoption while recognising that problems exist in smoothing a CER path.

Now, while favouring "a controlled and progressive expansion" of trans-Tasman trade, it has decided it is opposed "to the apparent Government objectives ... of full free trade which envisages the progressive but ultimate elimination of import licensing and tariffs on all goods".

The Cabinet Economic Committee will be told that many of the federation's constituent trade groups and individual members "have had difficulty in committing themselves to a position on CER because of uncertainty about various aspects of what might be the final trade arrangements

# The week

## Strikes and more strife

STRIKES . . . strikes and more strikes. Police arrested 32 pickets at the Ravensdown Fertiliser works in Dunedin leading to the shutdown of all freezing works for 24 hours in protest.

Meanwhile passengers were stranded on both sides of the Tasman as Qantas ground crews stopped work.

Bank staff launched a campaign for a 6 per cent skills allowance with a one day strike while Ford suspended 500 assemblers at its Petone works when seven coachworkers declined to submit to a time and motion study.

A VIRUS was responsible for the blisters on 28 pigs at the Dennis pig farm in South Canterbury. As yet it is still unidentified. But it was not the dreaded foot and mouth disease.

CABINET hastily despatched Overseas Trade Minister Brian Talboys to lobby Common Market agricultural ministers before they meet again tomorrow to discuss butter access, the same day the temporary rollover access agreement expires.

CARTER Holt Ltd and NZ Forest Products are investigating ways of baling out the Winstone group's troubled Karioi pulp making joint venture, Winstone Samsung Ltd.

THAT white elephant sleeping in Bahrein in which the taxpayer has a 49 per cent stake will be brought to life again with a fresh injection of capital. The cool store, built to distribute Kiwi produce throughout the Gulf, is now wholly Government-owned, the Bahreinis buying out the private enterprise elements to hold 51 per cent.

THE Arbitration Court will begin hearing the Federation of Labour's claim for a general wage order said to be 9 per cent, on March 25.

MARGARET Crozier will step down as Values Party leader at the annual conference. Values should become a pressure group, she said.

STOCKBROKERS approved rules for a national stock exchange pending empowering legislation.

THE United States' International Trade Commission clipped American manufacturers ears when it unanimously rejected claims that Delta Plastics Ltd's Allflex animal eartags, aided by export incentives, were seriously damaging domestic competitors.

## The business week

**Ajax GKN Ltd:** unaudited net profit for six months to December 31 was $779,000 (last year $1,045,000). An interim dividend of 10 cents will be paid on April 27.

**Barrow Hepburn Group Ltd** have sold one million shares in **Colyer Watson Holdings Ltd** to **Strong and Fisher (Holdings) Ltd** for 700,000 pounds sterling.

**Broken Hill Pty Co Ltd:** unaudited net profit for six moths to November 30 was $143,673,000 (last year $140,749,000).

**Comalco Ltd:** net profit for the December 31 year was $A80.6 million (last year $A58 million). A final ordinary dividend of 18 cents, 36 per cent, will be paid.

The company proposes a capital reconstruction, involving a three-for-one issue and a consolidation of the 50 cent shares into dollar shares.

**CRA Ltd:** net profit for the year ended December 31 was $193,180,000 (last year $135,319,000). A final dividend of 10 cents will be paid on March 13.

**CRA Ltd** has taken over **Australian Biotechnological Holdings Pty Ltd.**

**Dalgety NZ Ltd:** unaudited net profit for the six months to December 31 was $3,061,000 (last year $2,938,000) An interim dividend of 7 per cent will be paid on April 2.

**F & P Finance Ltd** will issue $4 million secured debentures with oversubscriptions of an additional $4 million at interest rates varying from 11.5 per cent to 15.25 per cent.

**Fletcher Challenge** subsidiary **MacEwans Machinery Ltd** has taken **Niven Process Engineering (NZ) Ltd** from **Niven Industries Ltd.**

The Examiner of Commercial Practices has approved **Healing Industries Ltd's** takeover of **Avery Wood Ltd.**

**Holeproof Industries Ltd:** unaudited net profit for six months to December 31 was $300,135 (last year $602,977 loss). An interim dividend of 15 per cent will be paid on March 20.

**Hume Industries Ltd:** unaudited net profit for six months to December 31 was $670,000 (last year $430,000). An interim dividend of 6 per cent will be paid on March 31.

**Ivon Watkins-Dow Ltd:** net profit for the year ended December 31 was $1,931,000 (last year $3,813,000). A final dividend of 8 cents will be paid on April 29.

**Lane Walker Rudkin Ltd** will increase its interim dividend 0.5 cents to 4 cents payable on March 6.

**NZ Farmers' Fertiliser Company Ltd:** unaudited net profit for six months to November 30 was $2,581,476 (last year $2,697,433). An interim dividend of 6 per cent will be paid on March 6.

**NZ Industrial Gases Ltd's** scheme to swap all preference shares for ordinary shares has been approved by the High Court.

Takeover talks between **Pavroc Holdings Ltd** and an unknown buyer, understood to be a Fletcher Challenge subsidiary have not advanced as directors expected. Rejection of **Fulton Hogan Holdings Ltd's** bid stands.

**Wattie Industries Ltd** will offer 11, 210,000 cumulative specified preference shares at $1.20 to all ordinary and specified preference shareholders in the ratio of one for seven. Conversion will be one for one in June 1988 with a 16 per cent dividend in the interim.

**Whitehaven Holdings Ltd** has offered 25 cents a share for **New Zealand Land Securities Ltd.**

## Economic indicators

THE money supply (M1) grew by 4.7 per cent during the year to December 1980 and the more broadly defined money supply and selected liquid assets (M3) increased by 12.8 per cent according to the Reserve Bank. Both figures were down in the year to September 1980.

RESERVE Bank price for tap stock issue No 1 is $100.1507 giving an effective yield to maturity of 11.874 per cent and issue No 2 $100.1037, yield 12.961 per cent.

FOOD price increases [illegible] ing as measured by the [illegible] price index. The rise in Jan[illegible] was 1.3 per cent, 15.6 per ce[illegible] an annual rate and 17.9 per [illegible] for the past year.

THE consumer price ind[illegible] being revised with effect [illegible] the March quarter. Ho[illegible] will take a lower weig[illegible] down 5.15 per cent to 18.9[illegible] cent while food increas[illegible] per cent to 19.62, transport [illegible] to 18.27 and miscellaneous [illegible] per cent to 20.53. House[illegible] operation and apparel [illegible] slightly to compensate [illegible] changed spending patterns.

SIX overseas companies [illegible] 229 new companies [illegible] registered by the Comp[illegible] Office in January. Six [illegible] panies appointed receivers [illegible] and eight ceased to act (1[illegible]).

Twelve companies [illegible] wound up by the court [illegible] while 32 went into vol[illegible] liquidation (16).

One hundred and forty [illegible] companies including [illegible] registered overseas firms [illegible] dissolved (176).

At January 31 there [illegible] 115,313 firms registered [illegible] cluding 681 overseas co[illegible] ies. (A year earlier 112,[illegible] 672 respectively).

## The week ahead

MONDAY: Nurses [illegible] Association annual confe[illegible] Hamilton, till Friday.

TUESDAY: Institute [illegible] County Clerks confe[illegible] Wellington, till Wednesd[illegible]

Hospital Boards Asso[illegible] Biennial conference, We[illegible] ton till Thursday.

WEDNESDAY: Family [illegible] ning Association confe[illegible] Wellington, till Friday.

United Fire Brigade [illegible] sociation conference, Gis[illegible] till March 4.

Guild of Agricultural [illegible] nalists shipping se[illegible] Remuera, Auckland.

Export award presenta[illegible] Aircast Limited, Avondale.

FRIDAY: Joggers conve[illegible] New Plymouth to March [illegible]

SATURDAY: Bakers [illegible] rence, New Plymouth [illegible] March 2.

## Exchange rates

As at February 19 $NZ [illegible]

Britain
US
Canada
Australia
Fiji
Austria
Belgium
China
Denmark
France
Greece
Hong Kong
India
Indonesia
Italy
Japan
Malaysia
Netherlands
New Caledonia & Tahiti
Norway
Pakistan
Portugal
Singapore
South Africa
Spain
Sweden
Switzerland
West Germany





# The week

## Expand electronics industry, report suggests

by Stephen Bell

THE electronics industry, under study by the Trade and Industry Department and Industries Development Commission, has been given a foretaste of some possible conclusions in a report from the DSIR.

A Trade and Industry spokesman confirmed that the department had "drawn extensively" on the DSIR study for the part of its own which deals with professional and industrial electronics.

The T & I report will deal both with this sector and the consumer (radio, television and appliances) side of the market, but the DSIR concentrates only on the professional and industrial side.

It identifies a need for expansion of local electronics capacity, to support the technological advance of local industry in general and to generate exports as compensation for the large amount of electronics necessarily imported.

The DSIR says the professional electronics industry has attracted little interest and investment, compared with other countries.

"This must give cause for concern about our future ability to use the developing technology to our advantage," the report says.

The industry as a whole shows a growth of around 15 per cent a year. But the proportion of professional electronics has remained virtually constant, at around one-third, compared with two-thirds involved with the consumer sector.

Exploring ways of boosting the professional side, the report identifies three levels of operation internationally: the major manufacturing company; the smaller venture, making short runs of high-value items; and the manufacture of components under licence from a large overseas company.

"It seems that smaller countries will probably benefit most from the presence of a second level of semiconductor manufacturing (the production of special components in relatively small runs)," says the report, "but the investment of this kind of operation would be quite large by New Zealand standards."

The business of "buying in components and increasing their value by incorporating them into electronic equipment or systems would be more appropriate for the New Zealand market," but costs and profits of any such venture would need to be carefully evaluated.

Joint ventures with overseas companies, which would set up manufacturing facilities here, are seen as potentially valuable.

Further opportunity for overseas co-operation is seen in licensing agreements. "These could be used to arrange manufacture overseas, to set up marketing agreements, or to licence in products to be manufactured here."

The difficulty and expense of setting up a marketing apparatus overseas is identified as one of the significant obstacles to the growth of an export industry in electronics.

Other aspects of the industry's "infrastructure" — technical and commercial services, sources of finance, industry representative organisations — are seen as having some shortcomings.

On the finance front, the DSIR estimates that about $4.5 million would be needed for adequate funding of research and development. The main source of such funds, the Development Finance Corporation's Applied Technology Programme, had a 1978/79 budget of only $3.5 million.

"If (this) is regarded as the major source of funds for the total industry it appears to be grossly under-capitalised to encourage a move into high technology export industries."

The report is accompanied by an exhaustive statistical study of local electronics companies, conducted by a consultant.

A third document is due for release soon; this will consider possible approaches by the DSIR to boost the local professional electronics industry, and will draw on public reaction to the first two parts.

## Meat deal challenged

THE Conference lines' grip on the shipping of our export meat will be tested in the High Court at Wellington this week.

Waitaki NZR's application for judicial review of the Meat Board's 1978 deal with the conference lines and its blocking in 1979 of an attempt to ship meat with ABC Container Line is set down for five days of legal argument beginning this morning.

These legal proceedings will be centred on the Meat Board's powers under the Meat Export Control Act. In particular, they will result in declarations as to whether the Meat Board's decision to assume control of meat which Waitaki NZR had threatened to ship on an ABC ship in September 1979 was within its statutory powers.

There is a great deal at stake in the case. As well as the monetary implications (Waitaki asserts that it could have saved some $5 million annually by using ABC rather than conference ships), the case may be seen as the second step in a growing challenge to the power of the producer boards.

The first step was ABC's action against the Wool Board in April last year. The Chief Justice ruled in favour of the Wool Board's imposition of conditions which excluded non-conference lines from the New Zealand export wool trade.

That decision itself is likely to be tested before the Court of Appeal later this year.

## Germans interested

by Lindsey Dawson

GERMAN interest in New Zealand business opportunities is rapidly increasing, reports German trade officer Rudolf Rindermann.

A 15-line press release about business opportunities here was printed in West Germany before Christmas. It has brought a flood of 160 substantial inquiries and catalogues from German manufacturers into Rindermann's Auckland office.

He has send newsletters to local firms containing details of German firms interested in trade and has had a steady flow of inquiries. Two new companies forging links between the two countries have already been set up.

"The German companies expressing interest are medium-sized and highly specialised manufacturers with high technology in fields like machinery, electronics and machine tools," said Rindermann, who also gets frequent inquiries from businessmen and technicians seeking advice on living in this country.

"Unfortunately there is little I can do for them unless they are exceptionally well qualified as German immigration is very restricted," he said.

A plus for New Zealand firms dealing with West Germany is that German goods are cheaper than they used to be because the mark is weakening. German prices have dropped 16 per cent since last May relative to New Zealand's currency, while sterling is being revalued by Britain's oil wealth.

There is plenty of room for growth — a mere 0.1 per cent of West Germany's export trade is to New Zealand.

## Research unit under threat

by Rae Mazengarb

THE future of the joint industry and Government-funded Pottery and Ceramics Research Association (PACRA) is still in doubt. No long-term solution to the unit's financial problems has been found.

Last year, some members resolved to give notice to half the scientists and technicians making up the staff's normal strength of 14.

But action along those lines was suspended in the face of severe criticism from PACRA and DSIR staff and the then Science Minister, Bill Birch.

Since then, the threat of redundancies and the general uncertainty surrounding the organisation has led to a drop in staff numbers to the seven originally mooted.

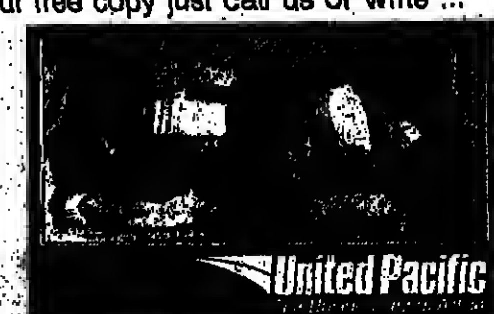
PACRA council president Peter Mahon said last week there would be no sackings, but he agreed that the staff confidence was at an ebb.

The council and the PSA, which represents the staff, have made independent representations to the Government. But there has been no agreement on alternative means of financing PACRA's $270,000 budget.









*The week*

# Bank union links wage case to Australia

by Ann Taylor

WHILE the *quid pro quos* of banking are pushed up the CER agenda, the Bank Officers' Union award talks broke down after its claim, based in part on an Australian precedent, had beeo rejected.

The union haa asked for an across-the-board increase of 20 per ceot which it explained in coociliation talks was made up of 14 per ceot (in line with other current award settlements) and a 6 per cent "work value" claim (to cover the "increased duties and responsibilities since 1970").

The union's publication *Chequemate* had broken down the claim for members before the conciliation talks, giving the rationale that "multinational employers require multinational unionism".

And for the first time an Australian union official – John Sanders, until recently the federal secretary of the Bank Employees Union there – flew in to help the local union argue its case.

The "work value" claim was based on an Australian Conciliatioo and Arbitration Commission decision of December 1979 to award a uniform 4.8 per cent increase.

That case was argued under clause 7 (a) of the Australian Indexation Principles – changes in work value – and it was found that the changes did "constitute a significant net addition to work requirement".

The Bank of New South Wales, the ANZ, the CBA and the National Bank of Australia were parties to the agreement.

The union here arguea that those banka recognised the value of change in Australia and should do the same here.

But, in context, the Australian decision has been a tenuous application here.

In 1978 the commission granted transport workers an increase of $8 in respect of work changes measured since 1974.

At the time, it cautioned that thia was not a precedent, but the flow-on effect, given rigid relativity, was inevitable.

New Zealand Bank Officers' general secretary Don Aimer read the relevant work changes here to the conciliation council. They included the introduction of Bankcard and Visa, the extension of travel, insurance and lending facilities, and the demands of technology.

The Australian commission found that "greater knowledge, skilla and responsibilities were required" because:

- The number of lending methods had doubled since 1970;
- Increased competition called for increased selling skills;
- Computeriaation required greater care in recording entries, and, while it relieved bank officers of time-consuming routine procesaes, it resulted in their work being more heavily weighted by demanding and responsible elements;
- Pressure on branch staff had increased because of the imposition of budgets and performance targets in line with devolution policy and computerisation;
- The expansion of in-brancb training;
- Stringent security concommitant with the increaaed incidence of bank robberies.

Those reasons were aufficient for the Australian commission to award the 4.8 per cent which the union bere haa increased to 6 per cent, in ita similarly argued claim, to cover the time lag since December 1979.

The Australian claim is virtually onc of relativity – a subject which haa not been broached in conciliation by the union here.

But it was part of the campaign mounted among employees. *Chequemate* drew attention to the need for relativity by drawing comparison with public service ratea.

The 20-year-old minimum for public servants is $9616 (34 per cent above the union's award). Post Office tellers with skill and experience get $12,839 (28 per cent above). And clerical workers award rates for a 21-year-old cashier with two yeara service give $10,028 (26.2 per cent above the bank officers).

Bank officers rise through five gradea from a minimum of $4680 to $14,217 at the top of grade 5. The bulk of employees – the most common grouping being the 18-year-old women – are in grade two, which has a range of $4987 - $10,000.

The five grades overlap and each contains several increments.

Promotions are made on a basis of skill and responsibility. Career bank officers can expect to rise through the first three grades to a top salary of $12,423 in their early 20s. Those in grades 4 and 5 usually have additional skills and work in a superviaory capacity at non-executive level.

# Skybus planning in a tailspin

From Page 1

erupted, Rutherford and Kelly were aligned in with Sir Reginald.

Last week, however, there was some suggestion that Sir Reginald had changed his support to the former Auckland members of the board.

The secretary of the company, Murray Tracy, a public accountant in practice in Auckland, saya he has a letter from Sir Reginald vesting in him the full responsibility for the affairs of the society until the March 4 meeting.

But Michael Booth, former Auckland regional supervisor, says he has been appointed acting general manager and that Tracy's role was purely that of secretary.

Auckland barrister Graeme Jenkins, who has acted for the society, says there is some blurring of roles and that Tracy is effectively chief executive and Booth the office manager.

By the end of last week, questions were being asked about the continued absence overseas of Matt Thumpson.

One account was that, because of his persunal problems involving Nationwide, he intended to stay away from the society's affairs to give it a chance to survive. But it was later reported that he was recovering from illness in Sydney Hospital.

A spokesperson for the society said that Thompson had not drawn money from the society for three weeks, aince his work overseas on bebalf of the society ended in January.

Questiooed about the society's financial position, Tracy said he was preparing detailed accounts for release to the public. He implied that there was something like $150,000 in hand, with a membership of 4065 at the end of January.

As the society tried to bold together last week, the Skybus International operations seemed as far away as ever.

Jenkins saya he has taken over the oegotiations with the Ministry of Transport on behalf of Skybua and the American airline, Evergreen International, which haa been named by the society as the carrier which will launcb the first charter services in March.

He said at the end of last week that the only obstacles that appeared to remain were formalities – specifically, confirmatioo from the United States that Evergreen was authoriaed by the United States Government to fly the route, and that the conditions would conform with those of the United States-New Zealand bilateral air agreement.

*NBR* underatands that detailed application for all the services mooted by Skybus have not yet been made. And final permission is a matter for the discretion of the Minister of Transport. Thus the proposed Skybus-Evergreen arrangement seems to be some distance away.

Evergreen International Airlines is the carrier which flew the late Shah of Iran to Egypt from Panama.

Evergreen is said to have denied any direct links to the CIA. But a spokesperson for Aqua Avia said last week it was well known that it "had CIA contracts", and asked what did that matter.

But the major obstacle last week seemed to be the likelihood of the Minister rejecting an application for Evergreen to fly here.

Although Aqua Avia felt that only formalities remained between them and a charter service In March, the decision is a discretionary one and factors normally and legitimately taken into consideration by governments when appraising such applications are:

- The ability of scheduled services to handle the traffic;
- Wbether the aervice would bring in exchange-earning foreign citizens who would not otherwise come;
- Whether it would take back New Zealand travellers who would otherwise travel oo scheduled services.

The aociety haa claimed that it has a contingency plan "which is perfectly viable and legal" which it would use in the event of a Ministry of Transport refusal of landing rights.

Asked how such a contingency plan could be "legal" if legality was dependent on Government approval, Tracy told *NBR*: "There is no way that plan could be disclosed to anyone, but this society will not attempt to do anything illegal in any form."

The people still showing a participatory interest in the affairs of the society are Tracy, Jenkins and Rutherford at the most senior level. Murray Purchase, one of the two founding working directors (with Thompson) was not available, according to the other executives.

As well as Booth, there is a sales staff of two working on retainers and, according to Tracy, "50 or 60 working on commission" throughout the country.

Other staff comprised two secretaries.

Rutherford asked *NBR* not to publish any information Aqua Avia because there was provision for such an appointment under the rules and he felt he was entitled to do so because the directors in Auckland had appointed David Culham in such a manner.

Rutherford asked *NBR* not to publish any information about Kelly's past record in tbe ioterests of the society.

Rutherford's appointment of Kelly as a director was one factor that sparked off the argument at a meeting a few weeks ago which led to the resignations of all directors except Sir Reginald, Rutherford and Kelly.

## Comment

# Editorial

THE mineral exploration game is closer to roulette or buying a lottery ticket than to conventional business practice. If an economic lode is not found, almost all is lost; for the explorer who bombs out, there is no second prize. Because the risks are enormous, the potential prize must be big enough to attract the heavy investments of risk capital and the capital venturers need to be secure in the knowledge they can collect their winnings if they hit the jackpot.

As well as being a high-risk game, mining can be a messy one. But the environmental harm need not be great. McIntyre Porcupine Mines, of Canada, explored for nickel on the flanks of Mount Graham, near Motueka, in the late 1960s. Chain saws and slashers were used to cut grid lines through the bush, facilitating an easy geophysical and geochemical survey. The scars have since healed. The same work could have been done with even less harm to the bush. It would have taken longer and it would have been more expensive.

Around the world, environmentalists have spurred mining companies to clean up their act. But just how responsive the companies will be to environmental considerations in the Coromandel has become a matter for heated speculation as the price of gold gives new meaning to "economically viable" mineral extraction. The multinational mining companies are queueing up to explore the potential of the region, and the environmentalists point out that two grams of metal per tonne would make mining economically worthwhile for them. Enormous waste would be involved. And if 50,000 tonnes a day are processed as one company apparently has indicated it may do on the Moehau Range (sacred to the Maori people and a scenic delight), then the landscape is bound to be comprehensively altered. Because of the proliferating interest in mining exploration in the region, there are fears the whole peninsula may be plundered and despoiled.

The public is entitled to know, therefore, just how much open-cast mining is likely and what the effects environmentally will be. What is to be done with the waste tailings, for example, and to what extent will mining operations alter the basic character of the region, environmentally and socially?

The employment possibilities that a mining industry offer are not to be lightly dismissed. But the nature of those opportunities must be spelled out, and against the economic benefits that the mining companies might bring must be weighed factors such as the potential of farming (the region has one of the country's fastest rural growth rates), small-impact industries, tourism, horticulture and fish farming.

For these considerations to be properly publicly appraised, the Mining Act cries out for amendment. It arms the Minister of Energy with far-sweeping powers (for starters, he may declare land "open for mining" if a landowner refuses to consent to a mining activity). Mining rights are granted at the Minister's discretion and the mining activities thus authorised are not subject to consents under the Town and Country Planning Act. The Minister's power to allow a particular venture to proceed if he proclaims it to be in the national interest is as abhorrent as the ministerial power to invoke the over-riding provisions of the National Development Act when a Planning Tribunal decision conflicts with Government aspirations.

The machinery to allow the public a say in all this is woefully lacking. A mining company may advertise its intention to apply for a prospecting licence in only one of the Coromandel Peninsula's seven newspapers but once, and the public (assuming it spotted the notice) has just 21 days to object.

Under the Act, the granting of a mining licence is almost automatic to the prospector who strikes it rich, and if anybody is to be given the go-ahead at that point, it should be the explorer who has sunk big sums of capital into the venture. Whether development of the mine inevitably should over-ride other considerations is another matter.

Energy Minister Bill Birch has been to the Coromandel to look for himself at the exploration issue. He has already made clear he is inclining towards amending the legislation and must now ensure that the resultant changes give an effective balancing of the economic rewards from mining operations against the attractions of the region that prompted its people to live there and other development options.

Mineral explorers who have invested heavily under one set of rules have cause for grievance that those rules will now be changed. Birch's intentions raise the same sanctity-of-contract issue as Comalco faced when forced to renegotiate its power contract and which drove the oil explorers from the country when the $3-a-barrel levy was suddenly slapped on them. Understandably, the mining companies only reluctantly want the procedures changed, and they hope that the machinery will be streamlined to minimise frustrations and delay. But they must allow a place at the roulette table for the public and recognise that a forum is needed for threshing out conflicting arguments over land use. Local people are entitled to a say in how their region should be developed; there is plenty at stake for them, too, and in the present game they don't get the chance to place their own chips.

— Bob Edlin

## Without word of a lie

### Cross checks-out

IF anyone sympathised with the freedom of information idea, and advocated the uninhibited dissemination of information and opinion, it should be a broadcaster and journalist, you might think.

But surprise, surprise — one-time *Listener* editor and now Broadcasting Corporation chairman Ian Cross had his own notions on that score when asked by radio's Checkpoint team to discuss the leasing of TV2 time. He said he would be questioned — but only if nobody else took part in the programme.

As things turned out, he had second thoughts and graciously conceded to permit the current affairs team to give the public the benefit of some viewpoints other than those of their boss.

### Green gold

THAR's more than yellow gold in those Coromandel hills. Thar's green gold too, we are told — whole plantations of marijuana plants worth $600 to $1000 each.

Mineral exploration companies reckon they keep finding pot plantations hidden in scrub or pine forests. This worries them.

Prospecting is a lonely job and geologists fear a violent reaction if they are found intruding into the mountainous redoubts of the drug planters.

A recent incident has reinforced their apprehensions. Staff from Amoco Minerals (NZ) Ltd were out with the Forest Service on a prospect west of Whangamata when they stumbled on a pot plantation, freshly watered. The Forest Service ripped out the plants. Next morning, Amoco returned to find their contractor's bulldozer sabotaged — "every smashable bit smashed".

### Prophet and loss

AN Arab pilot from a Middle East airline, who was doing Boeing 737 simulator training at Air New Zealand's Christchurch base the other day, proved that Moslems have a sense of humour after all.

His joke, which is doing the rounds in local aviation circles, relates the story of the nervous young Arab parachutist who was anxious about what to do if his chute failed.

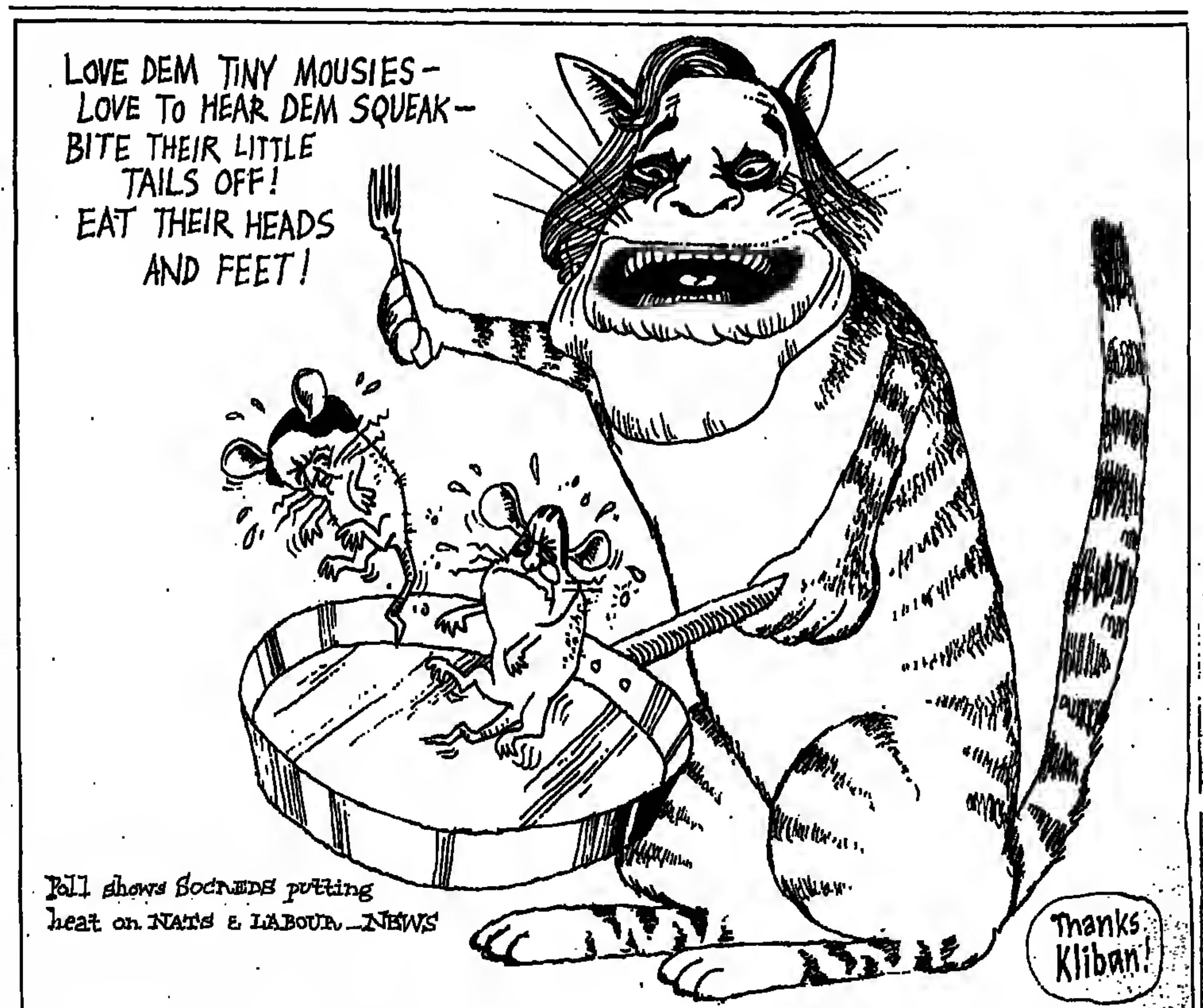
"No problems," said the instructor. "If both the main and reserve chutes do not open just say 'praise be to Allah' and all will be well."

Lo and behold, on his first jump the unthinkable happens. The main chute flares out uselessly. Frantically he yanks the handle to release the reserve. It too is tangled. Panic. Horror.

He plummets to the ground, and then, at the last moment, he remembers the instructor's advice and shouts "praise be to Allah!" At once a giant hand emerges from the clouds, scoops him up with loving care and lowers him gently to Mother Earth.

With relief and gratitude the parachutist fervently murmurs "Thank God!" ... and an enormous foot thunders down and squashes him flat.

## Brockie's view

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## Comment

# The medium that didn't get the message

by Ian F Grant

TO those interested in both the mechanics and the consequences of new magazine/newspaper publishing ventures, Philip Harkness's short-lived *Nation* has been a sobering experience.

It seems, to an observer closely involved in the launching of a number of publications, that the *Nation* was doomed from the outset and not for reasons Harkness cites (see interview on page 28).

It is widely understood overseas — but poorly perceived here — that the market positioning of a new publication is of paramount importance. In practical terms, this means that not only must there be an identifiable group or groups in the community who will buy a new publication but this audience must be either so large or have such special characteristics that it will be of special significance to advertisers.

The track record of the major New Zealand press companies in starting new publications or rejuvenating old ones over the last decade has been — given their financial resources and the opportunity to learn from previous mistakes — very unimpressive.

Part of the problem has been the fragmented nature of the major New Zealand publishers. Editorial people have not been encouraged to think about or understand the broader problems of publishing; the financial people have had little feel for, or sympathy with, the primary purpose of publishing; very few people in positions of authority have had the slightest idea what this new-fangled thing called "marketing" really meant.

But Philip Harkness had the reputation for being different. His stewardship of the *Waikato Times* had resulted, at least superficially, in a livelier paper, he had ambitious plans during his period with the INL Group; he had been associated with the apparently successful launching of a new daily, *The Sun*, in Fiji.

Yet *The Week*, the last attempt at a national weekly, which was produced by unabashedly "trendy lefty" liberals with the self-confidence that only amateurs can radiate, lasted longer and produced a more telling brand of journalism than *The Nation* achieved.

What distresses me personally about the very poor showing of *The Nation* is partly the added difficulty there will be for the next neophyte weekly publisher to find a printer, contributors and to convince advertising agencies that there is a case for initial sympathy.

But there is a further point. Previous attempts at "up-market" serious news and commentary publications come from bright-eyed idealists, while *The Nation* is the work of a widely known publishing professional. *The Nation's* ignominious failure could well convince advertisers, printers and contributors that, desirability and need aside, there is simply no hope for any future, serious minded weeklies in New Zealand.

The publishers of most failed publications complain that they operated on a shoe-string and/or they received no encouragement. The fact that Harkness failed despite money, contacts where he needed them, and considerable goodwill simply underlines the point that failure ultimately has little to do with these factors and everything to do with the skills and perceptions that go into the launch of a new publication.

Looking at *The Nation*, the research that was conducted and promotional material produced, it is difficult to believe *The Nation* ever got to grips with the fundamental marketing realities.

- The decision to question readers of a pilot issue was presumably meant to secure a running start with a critical and research-conscious advertising industry.

There is, unfortunately, considerable research literature evidence that asking potential readers if they like or will read a "dummy issue" has little validity and almost no relevance to later perceptions of a publication or purchase patterns. Agencies, of course, want information about the people who are actually reading a publication.

- *The Nation's* decision to begin publication in November, given the advertising industry's need for concrete readership data, was baffling. It is arguably the worst time of the year. Christmas expenditure is long since committed, there is very little advertising in more specialist publications until March in a new year, reading patterns (particularly on news stands) are disrupted during the holiday period.

But most important, media people in agencies will not buy campaigns in publications until they have received substantial, independent evidence that viable audiences are being reached. The two prime indicators here — McNair readership surveys and ABC audits — are not published until late in the year. *The Nation* could have begun in March 1981 and qualified for both.

- *The Nation* aimed at achieving a readership of 20,000-30,000 readers with incomes averaging over $20,000, but this does not actually constitute a market in either editorial or advertising terms. Advertisers either want to buy readers, listeners or viewers, in their millions or hundreds of thousands (super luxury goods aside, most consumer products are bought by practically all income group or small groups with special interests or special decision-making authority).

In neither its editorial or promotional approaches did *The Nation* appear to focus on a viable market segment.

- It would be possible to write at length about *The Nation's* blurred — everything from fashion to sport — editorial stance (was this the legacy of "pilot issue" respondents obligingly ticking all the possible editorial options in the questionnaire?)

But perhaps the most striking example of how little careful analysis there seems to have been of the publication's market and existing media patterns was the substantial use of overseas material. In fact, New Zealand newspapers run, on world standards, a very high percentage of overseas news and comment. Those wanting a more detailed and easily digested international news coverage read the newsweeklies, those with specialist interests subscribe to everything from the *Guardian Weekly*, to the *Economist* and *Far Eastern Economic Review*.

There was, I thought, ample evidence that the most likely reader of a new local weekly billed as "authoritative" would be expecting the New Zealand scene to be given the sort of scrutiny the daily press has never been committed to providing.

- Philip Harkness has cited distribution problems as a crippling blow to the weekly's chances. With respect, *The Nation's* distribution problems were not exceptional, perfectly predictable and have been tackled successfully by other publications.

It has never been easy to successfully launch publications in New Zealand; it is increasingly difficult to do so. But the real reason for failures should be known and debated, so that future idealists and entrepreneurs can avoid some of the most obvious pitfalls and so that some sources of encouragement will remain.

New publications with serious and enlightened intentions can be successfully launched, but only with a level of marketing sophistication and understanding of publishing realities that is rarely in evidence in New Zealand.

Ian F. Grant, Fourth Estate marketing director, has been responsible for *National Business Review's* marketing strategy since the publication's inception.

## Without word of a lie

### Finance carve-up

LEST you ever doubted who is running the show, we refer you to a ministerial statement from the Right Honourable Wotzisname on February 12.

As Minister of Finance, he was spelling out "details of the division of work in the finance portfolio" after the appointment of Warren Cooper as associate Minister.

And he made it clear: "I am responsible for the areas of economic policy, overseas investment through the Overseas Investment Commission, financial and monetary policy as well as taxation policy."

That wasn't all. His responsibilities also include energy, labour and wage policy, stabilisation, the Reserve Bank, the Bank of New Zealand, national superannuation, agriculture, fisheries, overseas trade, external trade, external aid and vote foreign affairs, international matters, audit, vote Treasury and defence.

So what's left for those eager ministerial helpers, you may wonder?

Well, Hugh Templeton (Deputy-Minister of Finance, in case you had forgotten) is responsible for "detailed matters" involving taxation, Customs, Statistics, Social Welfare, Health, Education, Trade and Industry, Tourism, Transport and those crystal-ball-gazing worthies, the Planning Council and the Commission for the Future.

Cooper has responsibility for "departmental expenditure in areas not covered by Mr Muldoon or Mr Templeton", plus questions concerning the state services, government superannuation, housing, the works programme, lands, forests, internal affairs and local government.

So you can see who is keeping the plums.

And as if to emphasise that it's still a one-man-band (if you'll excuse the mixed metaphor) the ministerial statement bad news for those who had commented that the former associate-minister, Derek Quigley, would no longer have access to Treasury papers.

No so — because Quigley "never had automatic access to all Treasury and associated papers, only those which were of particular concern to him".

### The unkindest cut

IF you can't beat 'em ...

Qantas seems to have given up the struggle against illegal discounters. *British Airways News* reports that — in a bid to end illegal discounting and to fill excess capacity — Qantas has cut its cargo rates from Britain to Australia by up to 50 per cent.

### Xerox rebuff

"THE article was terrific," Rank Xerox enthused. But *NBR* has sinned against the Xerox trademark. Or so we were told in a letter which was prompted by our story on Xerox (oops, photo-copying) art and the lady who was sacked for putting her bare bottom into the *avant guard* of this new art form.

"Rank Xerox and Xerox world-wide are extremely sensitive to this subject in order to protect our trademark. The term 'colour Xeroxes', is quite correct, the company advises us.

"There are copies made on Xerox machines and the subject matter should have been referred to as a copy or artwork created on a Xerox 6500 colour copier.

"Likewise one cannot Xerox a document — you simply copy it (hopefully on a Xerox machine)," the letter went on.

So we stand corrected. And in future our reporter promises also to refrain from "hoovering" his living room, putting on his "jandals" or drinking rum and "coke" that is some similar beverage, ever-mindful that the famous are touchy about name-droppers or copy cats.

## Letters

### Salaries for farmers

THE annual farm aurvey (*NBR*, Jan 26) does indeed reveal curious economic facts. The "returns on ahareholders' funds", however, are substantially lower than the figures you have given, for in computing available net farm incomes no salariea were allowed to farmers managing their own properties. The point is made most clearly by considering the three categories where all farms in the samples were owner-managed. These are shown in Table One.

TABLE ONE

| Catagory | Nat worth | Avallabla nat farm Incoma |
|---|---|---|
| SI hill country | $449,898 | $21,693 |
| SI Intanalva fattaning | $331,211 | $24,759 |
| SI mlxed fattaning | $363,968 | $17,497 |

TABLE TWO

| Catagory | Net worth | Raturn on ahareholdars' lunda | Parcant raturn |
|---|---|---|---|
| SI Hill Country | $448,898 | $6683 | 1.49 |
| SI Intenalve Faltaning | $331,211 | $8758 | 2.95 |
| SI Mixad Fattening | $363,968 | $2487 | 0.60 |

In the manufacturing and service sectors a modest salary for the manager of a business worth $.33 to $.45 million is $15,000. If this figure is deducted from the available net form incomes shown above, more realistic "returns on shareholders' funds" can be calculated os shuwn in Table Two.

These figures suggest that most aheep and beef farmers are receiving a true return of 0 - 3 per cent before tax on the net worth of their farm inveatments, a striking contrast with the 27 per cent (15 per cent after tax) minimum return criterion on new investments adopted by msny larger companies.

Now I am puzzled to know why sheep and cattle farmers are satisfied to continue farming when their $.33 to $.45 million invested safely at 15 per cent would return them $49,500 to $67,500 a year while leaving them free to do and think about whatever they pleased. Even the purchase of a $100,000 home with capital released from the farm would reduce "unearned" annual income by a mere $15,000, still leaving $34,000 to $52,000.

Some say their farming is a way of life that they would not swap, but few could disagree that the economic cost is extraordinarily high. Moreover, alternative off-farm investment would open a very wide choice in ways of life, including the managing of a sheep and beef farm for someone else who could not see the light. Others justify their farming on the basis of increasing land values and consequent capital gains, but to support thia argument farms must increase in value at a rate substantially greater than other real estate or business investments which return much higher incomes in the interim. I doubt very much that farm values have matched up in the longer term.

But how much more can sheep and beef farms increase in value now when returns on current values ore so low? Will msny farmers accept still lower returns, oven negative returns as some must be doing already after allowing themselves aalaries, or do they expect available net farm incomes to rise? For this latter to occur, income from meat and wool would have to rise at a faater rate than farm costs, and this seems improbable on consideration of the varioua indices of inflation.

Of course prices to farmers tend to increase with the sagging foreign exchange value of the New Zealand dollar, but a by-product of this arrangement is the rocketing domestic cost of the import component of farm inputs. Inflation generated within New Zealand, too, offsets higher meat and wool prices, to say nothing of soaring freight rates to meat and wool markets.

Though the reasoning of sheep and beef farmers is puzzling, their great contribution to the economy is indisputable. Mear and wool earn around 40 per cent of New Zealand'a export income. The economic survival of this vital industry is, and will continue to be, supported by all taxpayers through Government-guaranteed floor-prices, tax concessions, subsidies and the effects of our floating exchange rate. Perhaps it is this certainty of economic subsistence, however meagre, that leada sheep and beef farmers to continue bidding up the price of their land.

**A R McWilliams**
**Tauranga**

### Return the favour

I was somewhat embarrassed as a New Zealander, to be asked by a visiting Irish business executive, why Air New Zealand in full glowing colour, carries a picture of Sydney Hsrbour, and the famed Opera House on the cover of its current international timetable.

Not having o ready answer and discounting the possibility that New Zealand does not have a photogenic enough subject for our international carriers timetable, I came to the conclusion that to further promote trans-Tasmsn goodwill, an Australian cover was necessary.

Following this munificent gesture, can we expect Australia's International flag carrier to use a photograph of Auckland's Harbour on their nexr international timetable?

How about it Qantas? One favour deserves another.

**Paul Titchener**
**Salea Director**
**Titchener FBM International**

### Attitude to discounts

WE have read your article entitled "Airfare discounters face threat of criminsl chargea" (*NBR*, January 26) with considerable interest and wish to make the following comments which we hope will be helpful ond of interest to you and your readers:

- You say "airlines may legally provide agents with diacounts of 9 per cent". We would draw your attention to the fact that this is not a discount but the normal commiasion earned by accredited bonded members of our association and ia built Into the normal tariff and not additional to the consumer.
- The TAANZ policy is quite clear. We are not againat cheap travel, discounted travel or incentive travel offered to the consumer. We are against illegal discounting whlcb encourages our members and the consumer to possibly break the law and we believe strongly thst all consumers should be able to enjoy any dlscount, tariff package or fare on the market, and not just the aelected few which we consider is discriminatory.
- All members of TAANZ share in a bond amounting to $250,000 for the consumer's protection. It is an assurance against loss due to the default of any member prior to the consumer's departure from New Zealand. This was highlighted recently when our members, Treasure Tours, went into receivership and all New Zealand consumers affected were fully protected by our bond.

Finally, we wish sll your readers to know that our association stands, above all, for the protection of the consumer. We maintain a code of ethics and practice, have strict criteria for membership and educational standards, and aim to give the consumer a high level of professional aervice, thereby establishing that membership of our aasociation is a guarantee of competence and integrity.

**Peter J Lowry, MNZIT**
**Executive Director**
**TAANZ**

### Thoughts on Socred

THE letter by John Hay Heddle (*NBR*, February 9) will obviously have done so much harm to the Social Credit movement that, in one way, no reply is called for.

For the benefit of Social Crediters, it may be useful to correct some of his false statements.

It is just not true that the majority of economists are employed by trading banks and other financial institutions. The trading banks have very small economic units; the Reserve Bank ar larger one; but by far the biggest employer of economists is the Government. The next will be the universities and I am sure that a scientist must know that in this country universities do not receive many endowments or commissioned work and probably none from banks.

My own experience from the donor side suggests that with sponsored projects, university staff take particular pains to be objective and maintain their independence.

What John Hay Heddle seems to be saying is that what he terms the "International (his capital letter) money machine dictates what is in economics textbooks," surely not for the sake of little New Zealand, the only country where Social Credit was not forgotten a generation ago?

If so we have a sort of Catch-22 situation. Because their training has been corrupted by the International money machine, economists are not in a position to criticise Social Credit; the only people who can do this are the Social Crediters themselves.

When I first studied Social Credit, in the early 1930s, before I studied formal economics at all, this quaint but extremely distasteful paranoia about the conspiracy of international finance was common among followers of Major Douglas. They were even blamed for the spread of Communism, although how this was to profit financiers Social Crediters could no more explain than they could the A plus B theorem.

**J V White**
**Wellington**



## Politics

# Cranking and pedalling for a Muldoon ministry

by Colin James

THE National Party machine is a finely tuned mechanism, refined and rebuilt down the years until it is pretty well automatic. Once meshed, it is impossible to stop.

And it is now meshed. The only input it needs in its programmed production goal of getting National Governments elected is a supply of people to crank and pedal.

You can find them already cranking and pedalling as they have done with greater or lesser vigour every three yesrs for three decades or more, for the re-election of the Government bearing their party's name: the Muldoon ministry.

Ah, there's the rub: the re-election of the Muldoon ministry. For maoy of the people supposed to crank and pedal, a ministry under that name is no longer (perhaps I should add some qualifying phrase here such as "necessarily" or "always" or "all" or, for some "at all") syoonymous with a National ministry.

Yet, out of habit or some primeval urge, you can find them now in comera all over the country buying $25 tickets to dinners featuring the Prime Minister or raising money. It is as if the machine is more important than the product.

The problem is that there are now effectively two parties on the Government side of the House.

Spread round the fringea of the Chamber and even sprinkled a little on the benches nearer the Speaker where the Cabinet sits is the National Party.

This is the party the election machine operators would most like to get elected in November.

Then there is the Muldoon Party. This is the party which the machine, if it gets any party elected, will get elected.

Its principal cohesive force is mesmerism.

The Prime Minister'a encyclopaedic appreciation of the detail of government, his tactical skill at close quarters and his aearching penetration of the psyche'a innermost need or weakness are charge enough to make this the most powerful party.

The Muldoon Party is the newest party. It has been there in embryo since 1960, but only in the past six months has it come fully to life.

Setting up a new party, you will understand, takes time.

First, you get to be leader of a psrty someone has already set up. This can be time-consuming, because other ambitious people can get in your way.

The next step is to win an election against the odds, proving your ability to appeal over the heads of your helpers and followers to a special segment of the electorate you can claim as your own.

After that the key is to make sure the grubby amateurs on the outside don't get their hands on Government policymaking. This can be a bit difficult if you've got an interfering president who keeps spluttering on about principles.

It's even worse if some of those grubby amateurs get into Parliament, becsuse sometimes they might vote in the caucus as if they were still grubby amateurs.

But they can be outmanoeuvred. The trick is to have enough people around you who believe you do appeal to your own special segment of the electorate, or who believe you slone can battle the economic storms, or whose future careers sre linked to yours by vsrious means, or who for some inexplicable reason are nervous in your presence.

This part of the businesa is never-ending. Even your best mates have to retire, or get old, or, worst of all, are challenged for their nominations by some of those grubby amateurs on the outside.

But if you play your cards well — mind you, you've got to be brilliant — you can get over this problem by dangling a few of the right carrots snd waving a few of the right sticks.

The trick then is to go on getting re-elected and so create an air of inevitability about your personal tenure of power. Here the grubby amateurs who have to crank and pedal the election machine can be a nuisance because they will want to have a say in election strategy and if you successfully keep them out they may get upset.

But you can rely on them to want their mates in marginal seats re-elected, so they have no choice really but to crank and pedal hard.

That is the point we have now reached.

Eighteen months ago at the annual conference in Christchurch, president George Chapman advised the party to, in essence, back the rebels in the caucus and Cabinet rather than hang back for a leadership change MPs were unlikely to deliver.

That strategy kept open the possibility of promoting up-and-comers like Derek Quigley as the "real" National Party and thus shore up votes it was feared the Prime Minister might lose and it was felt he had lost in 1978.

Not everyone took his advice. Some hothesds played around with the notion of dumping the Prime Minister, whereupon the Prime Minister went on television, played up to the threat to his position and won.

Didn't he look strong as he put down the upstarts?

And didn't he look strong when he got himself Duncan MacIntyre as deputy against the wishes of the grubby amateurs?

And doesn't he still look strong in his new Cabinet?

There is loyal Bill Birch, playing a skilful hand, in the box seat for a leadership bid when the time comes — and, now that he is in the kitchen cabinet, even more reliable in the meantime.

There is Warren Cooper, who two years ago was an unruly private enterpriser from the mountain wilds of the south, suddenly promoted into the fireside chat circle of finance.

Sure, Frank Gill has gone and Colin McLachlan and Lance Adams-Schneider are going, but a new axis is forming to take their place. And new boys Ian Shearer and Aussie Malcolm are not going to do mucb kicking against the traces for a while.

The Muldoon Party is evolving its owb momentum. So skilfully have the Quigleyites been outflanked and so powerfully has the Muldoon dominance been publicised that any attempts to sell the National Party Chapman was aiming to sell in November will fail. Every promotion will promote the Prime Minister.

The machine is now capable only of getting the Muldoon Party elected.

What the non-fana of the Prime Minister in the ranks of National Party activists will do about thia is not clear. Since the deputy election the party seems to have been in a state of shock.

It seems almost certain that there will be fewer crankers and pedallers and that of those who turn up some will crank and pedal less enthusiastically — though there may be some examples of feverish activity in support of MPs of the National Party variety.

But it is almost equally certain that there still will be plenty of crankers and pedallers — for the National Party's sake.

And beyond? Will the National Party brook the independence the Muldoon Party has secured? Can it again stand for the sort of flat rejection of its views the deputy election represented?

You will have noticed the way in which the British Labour Party has decided to end the MPs' sole right to elect the leader. It decided to bring in the outside organisation.

Immediate reaction here was to ask whether our Labour Party would follow suit. It might have proved more productive to ask the question of National.

Bill Birch . . . In tha box aeat.

Back in 1940, the party membership took the issue of an out-of-favour leadership into its own handa and virtually forced — by votes of the divisionsl committees and a unanimous vote of the dominion executive — the dumping of Adam Hamilton for Sid Holland.

Since those heady days the role of the party outside the House in leadership aelection has faded to the point where an executive and dominioo council by and large unhappy with the Prime Minister's leadership are powerlesa either to get him to change his ways or to inapire his replacement.

Two years ago Rosa Jansen, former Waikato deputy divisional chairman, suggested at a council meeting the council should have a say in choice of leader. The frustration boiling up in the ranka now raises the posalbility that that comment may turn out to be prophetic.

And if in addition, as has been muttered about in some quarters for several years now, National was to adopt Labour's three-yearly leadership review, what a fine show it could be.

If it comes to a scrap, will the MPs let that power be taken from them? And if not, how will they go about it? That is a big post-election question for the Muldoon Party.

# ICI NEW ZEALAND LIMITED

SPECIAL NBR READER SERVICE A Company Report

## Chairman's Address at the 46th Annual General Meeting of Shareholders held at ICI House, Wellington on Wednesday 5th February 1981

**The Year's Performance**

When we announced the results for the first six months of the 1980 year, which showed a 31% increase in sales and an 18% increase in profit after tax compared with the corresponding period of 1979, we felt it was appropriate to say that the outlook for the remainder of the year contained some uncertainties. As you can see from the Annual Report events justified that cautionary note. The second hald of the year proved very difficult, particularly in relation to our sales to the textile industry.

Over the full year Group sales were $178.3 million. While this was a 20% increase in value over the previous year, it represented no real increase in sales volume. The effect of inflation was felt not only in the increased operating costs of our manufacturing groups, but also in substantial increases in the price of raw materials, particularly from overseas. Despite these difficulties, we were able to contain increases in the level and value of stocks most effectively.

The Group profit before tax and extraordinary items was $11.6 million compared with $13.5 million in 1979, a reduction of $1.9 million. However, the benefits of increased exports were reflected in a reduction in income tax expense of $1.2 million. Net profit available to ICI New Zealand, including dividend income from associated companies, was $6.9 million. This was $400,000 less than 1979.

One of the key factors in the result was the decline in profitability of Fibremakers during the second half of the year. We commented at the half year that the Government's announcement in February of revised levels of protection for the textile industry would have a serious effect on our fibres business. This certainly proved to be the case. The decline in sales volume and prices resulted in a net loss of $325,000 by Fibremakers New Zealand Ltd for the year.

The Board recognised the seriousness of the Government decision on textiles at the time it was announced. Immediate representations were made for reconsideration of the decision to remove both licence and duty from synthetic yarns. We sought repeatedly to have a similar form of protection afforded to Fibremakers as that given to the rest of the textile industry, namely a moderate tariff supported by import licensing subject to the "manifestly excessive" criterion. Despite our every effort, we were unable to secure a reversal of the decision.

During the year it was necessary to close three plants, Dominion Yarns & Fabrics in Christchurch, the Yarn Processing Division in Wellington, and the extrusion factory at Shannon. The costs associated with these closures account substantially for the extraordinary loss in the consolidated accounts of $130,000.

As circumstances now stand, we cannot look with any certainty on the future for synthetic fibre manufacture but I would like to pay a tribute to everyone at Fibremakers for the sterling efforts which they have made to overcome the difficulties of the last twelve months.

During the year, one of the most encouraging performances was in exports which almost doubled in value compared with 1979. We achieved increased sales of agricultural chemicals, animal remedies, feed supplements, industrial explosives, PVC pipes, and paints to markets in South East Asia, Europe, Australia and the Pacific Islands. In addition to direct exports, our sales of intermediate products to the major exporting industries, meat, wool, dairy products and foresty also, increased substantially making a further indirect contribution to the country's export earnings.

Perhaps the outstanding success in both exports and home sales was the launching by ICI Tasman of the new combined vaccine/drench, 'Nilvax 5'. This product, developed by ICI Tasman in its own laboratories, was enthusiastically received by farmers both in New Zealand and Australia. It was one of the contributions to ICI Tasman's excellent performance for 1980. The profit for the year was a most satisfying reward for all the efforts that have been put into that company. It represents a four-fold improvement since 1977, the first full year of integrated operation after we acquired Tasman Vaccine Laboratories.

During the year Petralgas Chemicals Ltd, the joint venture between Petrocorp and Alberta Gas, announced details of their plans for the manufacture of methanol from Maui gas. The ICI process for methanol manufacture was chosen by the consortium. As the present distributor of chemical methanol in New Zealand was a substantial investment in equipment and experience in the market, we are negotiating a distribution contract for methanol covering New Zealand and Australia.

The other major development in the petrochemical field during the year was the decision to go ahead with the project for converting natural gas to petrol using the Mobil process. The ICI methanol process was also chosen for this project which is expected to come on stream later in the decade.

**Fixed and Working Capital**

After a thorough investigation of current values by independent advisers, the Board has formally revalued land and buildings throughout the Group as at 30 September. The increase in valuation was $9.235 million and this amount has been carried to Revaluation Reserve. At the same time the Board reviewed the Parent Company's investments in subsidiaries. These values were adjusted to reflect the increased net asset backing that has resulted from the revaluation of land and buildings in the subsidiary companies.

Mr E W N Jackson, Chairman and Managing Director

The Board considers that the restatement of reserves arising from the revaluation reflects more appropriately the current value of the assets employed.

As already mentioned, tight control was maintained on working capital during the year. The result was that the ratio of working capital to sales fell to 25.3%, compared with 28.1% in 1979.

Expenditure on fixed assets was $5.1 million compared with $4.0 million in 1979. In particular we increased the capacity of the Christchurch resin plant by 50% to cope with the growing demand. A new 2,500 square metre store was commissioned at Hornby during the year. This will improve our service to South Island customers for a wide range of products. Work also commenced on new manufacturing capacity for 'Molanite' slurry explosives at the Waitawa site.

In addition to these new investments we maintained our policy of modernising or replacing existing plant as appropriate to help the drive towards improved productivity. As the graph on page 8 of the Annual Report shows, value added has risen from $9,660 per employee in 1975 to $22,450 in 1980. After adjusting for inflation, the improvement in real terms over the five years is over 30%, which is a fine achievement in a period of low economic growth and high inflation.

**Current Outlook**

Since the beginning of our current year, the climate of business has remained uncertain. Total Group sales for the first quarter were 5% ahead of the corresponding period last year. However, it would be unwise to draw too many conclusions from such a comparison because of the changes which have occurred over the 12 months. With an underlying annual inflation rate of about 17% p.a., a simple comparison of sales value from period to period may be misleading. Furthermore, at this time last year the changes to textile tariffs had not been announced so that the impact on our fibres business was not evident.

The demand for agricultural products, particularly from ICI Tasman, has remained strong and Dulux has enjoyed good sales in the important spring trading period. However, some of the other sectors of our business have continued to reflect the downturn which became evident in the second half of 1980. The introduction of a mini budget by the Government in December can be seen as recognition of the underlying weakness in consumer demand. As we commented at last year's meeting, Government actions to stimulate the economy have an important bearing on the level of business activity. The tightening of money supply during the last 12 months had a constraining influence and it is to be hoped that the tax concessions made in the mini budget together with other Government measures will provide the right stimulus to business in 1981.

**The Company and Its employees**

We operate at thirty two different locations throughout New Zealand. This wide spread of physical locations means that the Company, and its workforce, are members of local communities throughout the country. We are fully conscious of the social responsibility which we carry and endeavour to conduct our operations with full consideration of the environment and with recognised community standards. As members of local communities we also aim to play our part in assisting in local social and welfare projects.

Of particular concern to us is safety and occupational health. Over three decades we have worked at improving safety standards, eliminating potential hazards and training people in safe working practices. 1980 saw a slight fall away from the excellent safety performance achieved in 1979. Even so the frequency of our "lost time" injuries of 15 for every one million man hours worked compares well with the last published average for all New Zealand employers of 68 per million. We aim to reduce the figure again in 1981 to below 10 per million as in 1979.

**Board of Directors**

During the year several changes occurred in the membership of the Board. As I mentioned at the previous A.G.M., Mr R.H. Brann resigned from the Board in December 1979 to take up the position of State Manager, New South Wales, with ICI Australia Ltd.

In January Mr S.D. McCrone, on his return from a three year secondment to the U.K. as an Assistant Treasurer of Imperial Chemical Industries Ltd, was appointed to the Board.

In March Sir David Zeidler, CBE, retired from the position of Chairman and Managing Director of ICI Australia Ltd. At the same time he retired from our Board.

In May Mr T. Silverson, an Executive Director of ICI Australia Ltd, was appointed to fill the vacancy created by Sir David Zeidler's resignation.

In December Mr T.M. Williamson, accepted an invitation to join the Board. Mr Williamson had a long and distinguished career with the A.N.Z. Bank, both at home in New Zealand and in the U.K. and Australia. We look forward to a rewarding association.

Finally, I would like to advise you that Mr C.B. Dowling OBE, who has been with the Company over forty years and has been an Executive Director since 6 February 1961, has decided to retire later this year. The contribution he has made has been immense. Those who have had the pleasure of working alongside him know the energy and devotion he has given to his work and to the Company at all times. I take this opportunity to thank him for his outstanding service and to wish him well for the future.

ICI New Zealand Limited



*Economics*

# The last great tax seminar – better late etc

Economics Correspondent

THIS article backgrounds issues to be discussed at a taxation seminar to be held this week in Auckland, sponsored by the Employers', Manufacturers' and Retailers' Federations. Next week the economics correspondent will examine the outcome of the seminar, summarising the papers given.

TAX reform is gaining election year momentum. The message from the electorates is clear. Do something about taxation or else. Already there are indications that tax avoidance and evasion is becoming respectable for rich and poor alike.

Before electioneering gets seriously under way, the bigwigs of the Employers', Manufacturers' and Retailers' Federations along with Federated Farmers, the Chambers of Commerce and the Planning Council hope to fuel the public's fire for tax reform with a taxation seminar held at Trillo's in Auckland tomorrow.

The seminar is deliberately limited to debate about making a shift in the tax structure from mainly taxing income to a tax on expenditure.

Don Brash . . . expenditure tax

About 250 people from around the country have been invited to attend. With this number, there should be a representative sample of arguments on the subject of taxing expenditure, though opinion is weighted towards establishment groups and groups with specific interests.

The keynote address is by Lew Ross, known for his chairmanship of the Ross Taxation Review Committee, which met as long ago as 1967 to re-design our tax structure.

Other speakers include National's East Coast Bays candidate, economist Don Brash, speaking about a direct expenditure tax, accountant Peter Stannard discussing a wholesale sales tax and National MP Michael Cox exploring the virtues of a value-added tax. Frank Holmes, of the Planning Council, is chairman of the seminar.

Despite political attempts to snuff out the tax reform issue, it just will not go away. Exactly three years ago, *NBR* ran a series of articles on tax reform, reflecting our readers' interest in the issue.

Early in 1978, branches of the major political parties were active in passing remits supporting reform. The Labour Party spent considerable time and effort publicising a tax reform package.

But Prime Minister Rob Muldoon let the wind out of the reformers' sails before the 1978 election. He simply lowered taxes in his 1978 Budget. And he made a pretence of simplifying the tax structure by reducing the number of steps in the marginal tax scale from 19 finely graduated steps to five large steps.

Muldoon sowed the seeds of reform in his 1978 tax package through special legislation designed to ease the tax burden for young families on low incomes or with single incomes.

But the Prime Minister did not look after his tax reform gorden after winning again in 1978. As inflation continued to erode the tax base, any benefits gained by worthy taxpayers have since wilted away.

Tax measures in subsequent budgets and mini-budgets have been mere fiddles, made possible by the large degree of fiscal drag (which means as incomes rise, tax rates rise faster, dragging away ever larger bites) built into the income tax scale.

The main trouble with the tax system is that taxes are too high on additional earnings. Taxpayers need earn only $22,000 a year before additional earnings are taxed at 60 per cent.

For most household heads, additional income is taxed at least 45 per cent. Naturally, there is great advantage to be had by finding ways of earning additional income that does not incur such high tax.

All sorts of novel ideas for avoiding tax have been tried by enterprising taxpayers. It is common to get a company car or a low-interest loan instead of salary.

Professionals are dealing increasingly in barter – an economist happily takes a case of wine instead of pay for a day's work. And an Auckland company, Lemmington Holdings, helps high income-earners make tax savings by transforming them into exporters eligible for export incentives.

Another trouble with the tax system is that capital and earned income are treated in opposite ways – income is taxed and capital is not. Since there is great advantage to be had in capital gains, businesses are increasingly organising to earn capital gains rather than taxable profits.

Lew Ross . . . chaired 1967 committee

Proponents of a shift away from mainly taxing income to taxation of expenditure argue that such a reform would be more equitable, would have a more neutral effect on business organisation, would still yield sufficient for government spending purposes and if properly designed, would be easier to administrate than the increasingly complex income tax structure.

Two types of expenditure tax discussed at the Auckland seminar are direct expenditure taxes and indirect expenditure taxes. A direct expenditure tax is one assessing individuals (and/or companies) directly for any consumption spending during the tax year.

Indirect expenditure taxes are assessed on actual goods and services. These taxes are passed on in prices so that they are, in the end, paid indirectly by individuals.

The idea of a direct tax levied on personal expenditure has received much publicity over the last few years.

An expenditure tax is assessed on the value of a household's total receipts during the year less any increase in net worth. A tax return would include a statement at the beginning and end of the year of net worth, together with information about how much income the taxpayer earned.

A direct expenditure tax could either replace the existing income tax completely, or replace it in particular income brackets or supplement the income tax base, say by taxing those with high incomes.

High income-earners might also be assessed a wealth tax.

Indirect expenditure taxes could be assessed on a number of different bases, including the wholesale level of distribution, at the retail level or on the value added at each level of output.

A value added tax (VAT) is imposed on the added value imparted to commodities and services at all economic stages of production and distribution up to and including the final sale.

In practice, the tax is usually seen as a tax on consumption, but it can also be used as a profits tax on business.

Exports are exempt from VAT because they are not finally consumed in the country of origin. This allows exporters to price their goods competitively for overseas sale. Imports are subject to VAT because they represent a stage of production.

This places them on the same footing as locally produced goods.

Because an item incurs the same added value tax irrespective of the firm's organisation, the tax keeps to a minimum change in competitive power. Its effect on output is likely to be neutral. Another advantage is that it encourages exports and discourages imports.

Two simple indirect expenditure taxes are wholesale taxes and retail turnover taxes. In both cases, the tax could be set at one rate and would simply be added to either the wholesale or retail stage of production for all goods and services.

If the tax was imposed at a flat rate at the retail level, it would not create any distortions in the market-place setting of relative prices for different goods and services.

This is less true of a tax assessed at the wholesale level, since retailers would have some discretion about how much of the tax to add on to the final price (and how much of the tax to absorb) which could have an influence on relative prices of goods, and, in turn, on the profits of the retailers.

In the past, retail taxes have been seen to be less suitable than wholesale taxes because of the added administration involved in the larger number of retail establishments.

Now, with modern business machines, it is easy to calculate the tax at the point of sale, especially if all goods are taxable.

# There may be a reason for market movements, but don't ask for 'rationality'

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses the company accounts.

THE Securities Commission is falling into the trap of believing that there is a rational "scientific" explanation for all aspects of human behaviour.

That appears to be the thrust of the address which its revered chairman, Colin Patterson, gave to the 1981 summer school of the Accountants' Society at Lincoln College on February 12.

(We decided to use "revered" because a passage in Patterson's address reads: "I have been called a watchdog, a busybody, a chauvinist, and that by a university professor who must be taken to know that the word denotes an excessively demonstrative patriot — which I admit and declare — a bloody nuisance, and much else besides".)

Part of Patterson's address dealt with the activities of the sharemarket, and the fact that the 60 companies on the Reserve Bank's index of leading shares sold in 1977 at 57 per cent of "the value attributed in their accounts to their net assets".

In 1980 a similar comparison showed that the market capitalisation of these companies was 78 per cent of shareholders funds.

"Even so, the picture which these figures presents is to me profoundly disturbing. It seems to me that when the market values of equity securities are substantially less than the amount of the corporate investments attributable to them, then something must be very wrong with the policies that control and influence investments.

"This is a complex matter. We need to study it, analyse the reasons for it, and consider the effects of it. So far as I am aware, no such work has been done in New Zealand. If you know of any, I will be glad to have references to it."

Patterson went on to say that the New Zealand Planning Council did not refer to the matter in its recent report on *Investment Issues*, and that he had asked the council to join with the Securities Commission in a joint consideration of the problem.

We will probably receive the results of that "consideration" when it is completed by the two bodies.

*NBR* has no inhibitions about offering a few suggestions to the high powered members of the commission and the council, before they get down to a scientific analysis, complete with economists, accountants, professors and ex-professors of this and that, seconded public servants, and the rest of the people that make up New Zealand quangos.

The first point is that a sharemarket (and that is merely the total of investments in all the companies which the commission examined, plus the rest of the listed companies) cannoi be analysed solely in terms of logical decisions made on the basis of a rational approach by rational people.

The market has shown on many occasions that decisions are made illogically on the basis of an irrational approach by people whose conduct is anything but rational.

In this context, we can define "irrational" as behaviour which is motivated by emotional reactions, including fear, greed, panic, acting as part of a mob, hope, and other factors influencing investment outside the normal financial and economic analysis of the company's present performance and projections into the future.

That definition may offend psychologists, who could claim that some of the words in the previous sentence include aspects of rational behaviour, but for the purpose of this discussion it is sufficient.

An example of "irrational" as defined here can be seen in the market's reaction to a mining float.

Bridgevale Mining came to market late last year with an issue of 50-cent shares. The company has some income, and some promising mineral prospects, and it may well have an excellent future.

The problem is that formal analysis of those prospects, and future profitability, is still based on guesswork (although that is no reflection on the company, whose prospectus set out the known facts and told potential subscribers that they were applying for securities in a speculative venture).

We all know what happened. The shares sold at $1.65 on listing, although they have since declined to the $1.00 to $1.05 range.

"Scientific" analysis of the reasons for this phenomenon will be sterile, unless it manages to measure speculation, why the issue was heavily overscribed and application scaled down, the motivation of "stags", the desire of people to buy a share at more than three times the issue price, and (in some cases) the nature of straightout human greed.

So much for behaviour which is "irrational" and leads to decisions which could be said to be "illogical" on various counts, although a decision to buy something on the ground that it will immediately appreciate in value due to scarcity has elements of the logical in it.

The second point, which the Securities Commission appears to have overlooked, is more complex.

Patterson's address related current market capitalisation of the 60 companies to the amount of historical investment in assets, recorded under the historical accounting convention.

In other words, he wants to know why shares sell at less than their net asset backing.

The "reasons" are as varied as the nature of the companies. But one important element in investment decision may have been omitted from the survey.

Anyone who invests in equities on the basis of history is, to be blunt, a fool. Equity investment should be, and usually is, made on the basis of the future. The investor is looking for a return on the investment, whether by way of income or capital gain, and that "return" on investment can now can come only in the future.

It is stupid to invest in a company which paid a 20 per cent dividend last year, has a dividend cover of 5 or 6, and a high earnings yield (the reciprocal of the price/earnings multiple) if information known to the market as a whole, and to individual investors, shows that the company will make a loss this year, pass its dividend and possibly go into receivership.

The switch-around in a company's fortunes of such magnitude may seem extreme but the market is making such assessments every day, differing only in degree from the example given.

Few professional market operators or observers would be surprised at the fact that the total market capitalisation of 60 companies in January 1980 was less than their global net asset backing.

The economic outlook for the whole of 1980 was dull (proved by the events of that year), although not as bad as the outlook in 1977, inflation was still high and there was excess capacity in the economy.

The reference to "excess capacity" can be equated with Patterson's suggestion that "we are under-utilising our assets". Of course we have been under-utilising our assets, but it is not for want of trying.

Under-utilisation of assets is what recession is all about, leading to lower production, staff layoffs (look at the growth of unemployment from 1977 to 1980 and throughout the latter year), and compounded by an adverse balance of payments.

Patterson says that if we are under-utilising our assets, "it would be natural to expect a discounting below cost of past investments".

There can be little quarrel with that view, but the "past investments" are, to some extent, irrelevant.

The market is looking at what the company will earn, this year, next year and possibly the year after.

If it is satisfied that the earnings will be insufficient to allow for financial growth, higher dividend payments, and capital appreciation of the shares (an indirect effect) it will mark down the price to a level commensurate with those earnings.

The fact that the results will be a discounting below the cost of past investments has little to do with such a decision, as does the converse; a premium over the cost of past investments.

There are many companies whose share price has appreciated beyond net asset backing, although few of them are in the 60s on the Reserve Bank's index. They tend to be smaller groups, with special operations, driving management, and a growing market share for their products.

Even the takeover merchant is wary of high asset backing, relative to share price, because he knows that those "past investments" need careful examination.

The assets in a company may prove to be worth less than their historical cost on realisation. To that extent, current cost accounting, which is based on replacement cost, can be a nonsense, if historical cost will not be realised on sale.

Then we come to the third point which affects company ratings on the sharemarket, and again it has an intangible element, which is difficult to express in quantifiable terms.

Anyone of reasonable intelligence can be taught the principles of law, accounting business management, personnel matters, engineering, market research and marketing, rugby, playing a musical instrument, writing, painting, or any other section of human endeavour.

But the "performance" of those skills shows a marked difference among people, even among those who have studied the skills to the same level and are "performing" under the same conditions.

In the 1960s I heard an expression which was said to have as much application to finance as to music:

Colin Patterson . . . over-emphasising the "scientific"

"You hear a violinist play and you think, that is good, it is technically competent, and shows skill. Then you hear Menuhin, and you say, this is genius".

For "genius" substitute "flair", "art", "drive", "imagination", and so on.

When applied to companies, you can get the same intangible result, whether in decision-making, people management, advertising a product, making a sudden investment when others would sit around for more information, and product innovation.

We all know people in the private and public sectors who seem incapable of making a decision, although they are intelligent and can absorb and analyse all the relevant information.

Some of those people are sitting in companies which the sharemarket has discounted below the level of last investment.

Finally, and it is meant as a compliment, it comes down to the same difference which distinguishes Patterson's speeches and writings from those of others with similar intelligence and experience, whose speeches and writings are dull, boring, and destined for the scrap heap of verbiage.

# Suit-makers go against tide of retrenchment

by Allan Parker

ANOTHER sign of confidence from the clothing industry: Wellington-based Rembrandt Suits — part of the Alliance group — is installing $200,000 worth of new equipment in its Naenae factory.

The company, according to managing director Paul Veltman, has shown its "faith in the future" with the decision to invest heavily in an industry sector still facing major hurdles in its path to recovery.

The $200,000 — "enough to buy out most New Zealand clothing companies" — has been spent on seven new pressing machines which the company says are the most modern in Australasia.

The company will employ 18 new staff — an encouraging sign in an industry more noted for retrenchment than growth in recent times.

Veltman said: "We believe in the future of the industry. It may have been a fashion, but streaking won't last; we'll be making clothes for a long time yet."

Veltman backs up those words with current export figures of $500,000 a year, new jobs and heavy plant investment.

# Winstone share plunge highlights need for quicker 'get-togethers'

THE New Zealand sharemarket is either resilient, or it over-reacts to bad news.

When the combined news of Winstone's financial problems and the possibility of a foot and mouth disease outbreak hit the market on Thursday, February 12, the result was an inevitable plunge.

That was understandable, particularly when considered on the basis of the disease scare alone. If this country ever has a confirmed case of the disease, we will see a slump worse than anything experienced in the past.

The Winstone case is in a different category. The company's problems are based on the pulp mill at Karioi, and the state of the pulp market in the Korean partner's home country.

But the delay in issuing a statement compounded the market's reaction.

Last week, the outgoing president of the New Zealand Stock Exchange Association, Michael Hay, of Auckland, said at a press conference in Wellington that he had contacted the company after a television broadcast, and was told that a statement would be issued by 10am on the following day (the directors apparently meeting at 8pm).

That statement was absent when the trading bell rang on the Exchange floors at the 10 call. The market was, therefore, working on surmise and rumour throughout the morning.

When a statement on a company's affairs is delayed, it is natural to assume that matters are more serious than they may be, and the market takes action.

In this case it cut Winstone back to 50 cents, before the price rose in afternoon trading to around 60 to 65 cents, before moving up again last week.

At the press conference those attending were given a copy of a document which reviewed the state of stock market activity in New Zealand.

It included the comment that the brokers, companies and financial press have created an information flow essential to the operation of a free and informed market.

Perhaps they have, but for several hours there was no "free and informed market" in Winstone shares. It seems amazing to the outsider (and to many Winstone shareholders) that a gun board of directors, meeting at 8am, took so long to issue a statement.

When the statement came, it highlighted the problem at Karioi, but said little else on which the market could base a reasonable assessment of Winstone's current financial state.

That was confirmed at the press conference last week when the brokers present were asked whether the statement added anything to their knowledge of Winstone, apart from isolating the Karioi difficulties.

They said it did not, and, since they were speaking as professionals in the market, one is left wondering what the Winstone shareholders made of it all.

Various arguments can be presented for and against suspending trading in Winstone at 10am, or for telling the company that trading would be suspended if the statement was not forthcoming. Some of them obviously contain an element of hindsight, but the incident suggests that the relationship between the exchange and companies needs examination.

The incident also raises the question of company responsibility to shareholders and to the market.

That is also debatable, given the difficulty in drafting statements when official discussions are going on, but it is worth debate in order to set some guidelines.

Winstone's pulp problems are complicated, and, for all anyone knows at present, there may be other problems, some of which are open to internal solution, according to the market's assessment of the company's affairs.

Wattie came to the market with a specified preference issue in the midst of all this confusion. The rate of 16 per cent is in line with what the market expects these days from such an investment, although $13.4 million is a substantial sum.

The share held up reasonably well, but there is an interesting sideline to this, as some observers pointed out.

Goodman Group is in line to pay up more than $2.5 million if it takes up its proportion of the one-for-seven issue.

The wags are suggesting that Goodman could finance this by having an issue of its own, in which case Wattie would have to take up its proportion, based on its share of Goodman's capital.

So the capital-raising becomes circular, with one company issuing shares to finance its proportion of another company's issue.

While that is unlikely in the present case, it highlights the potential problems when companies have minority crossholdings in each other's capital.

Note: The writer neither owns, nor has a beneficial interest in Wattie or Winstone shares.

O'Brien on business

# Rescuing professionals from poor practices

RESCUE has arrived for medical men and dentists who wonder why they have a backlog of patients at the end of the day, and who may work in cluttered consulting rooms.

*Practice Management* has all the secrets needed to keep on top of paperwork, accounts, and timetables, while the practitioners apply their professional skills to patients' needs.

The book is designed to help medical, dental and veterinary practitioners, according to the authors, Felicity Baverstock and Donald Eve, two Australians with experience in business consultations with professional people, and similar activities (including, according to the dustjacket, being "married to a successful veterinary surgeon").

The authors say the subject matter is also applicable in paramedical and other professional private practice, and should be equally useful in those areas.

The book refers to "practice management" as a concept distinct from the professional activities of the practitioner. A better term, or reference to another concept, could be that every professional practice, whether legal, medical or whatever, is eventually a business.

That may sound heresy to the old school of general medical practitioners and similar people, but, in fact, the practice is a method whereby self-employed people earn income, irrespective of their concern or lack of concern with money and the other material aspects of life.

Whether the concept is termed "practice management" or "business", it is clear that efficient control of the paperwork, records, premises, and other non-professional matters will eventually assist the application of the medical, dental, or other professional skills to the problems of the patient or client.


Baverstock and Eve have tackled this problem with simple language, numerous charts and tables (we all know how devoted the learned professions are to charts and tables).

There are clear explanations of matters which may seem obvious, but which are often either overlooked or not fully understood by people whose training has been geared to the application of particular skills, rather than the equally skilled activity of running an office (and an efficient "office" is an essential back-up to the application of the particular professional skill).

In that context, the book could also be useful reading for small legal practices. *NBR* readers will know from personal experience the number of solicitors who work in a shambles, although they may produce first-class work when they find the appropriate papers and/or books.

The patient, or client's, most frustrating experience is waiting for long periods, sometimes hours, as the practitioner's timetable gets further out of line as the day goes on.

The authors have a small section which should be read by every practitioner and their receptionists, secretaries and other assistants:

"The following tips help keep the timetable running to schedule:

- Placing an appointment sheet on the doctor's desk before a consulting session;
- Having in readiness the case history cards and other relevant records before the consulting session starts;
- Preparing the consulting room with adequate equipment;
- Allowing time between patients for the nurse or staff member whose responsibility it is to arrange equipment for medical treatment, tests etc.

Between them the doctor and his receptionist can devise a scheme by which he can be rescued from the patient whose consulting time runs exceedingly long and beyond that accepted as necessary — perhaps a discreet knock on the door."

There is also the tip that a receptionist can run checks: the practitioner's assessment of time required for consultation "an aide can make her own check on the doctor's work and time per patient as he often may not have given an accurate estimate himself". Oh, how true.

A brief discussion of computerised practices, handling both accounting matters and medical records, is included under "surgery business and future".

The prime point is the cost/benefit ratio, as it is in computer installations, but it is clear that the computer will take over more and more of the practitioner's basic management work, and probably do it with greater efficiency, provided GIGO (garbage in, garbage out) is avoided.

The book has useful glossaries, of both medical and business terms, including an up-to-date definition of cash: "coinage, notes, credit cards etc."

*Practice Management*: Felicity Baverstock and Donald Eve, Australia and New Zealand Book Company, NZ price, $14.95.

# Mount Cook still pushing new skifield

THE Mount Cook Group has surprised the tourist industry by firmly restating its commitment to have its new Rastus Burn skifield in the Remarkables built and operating by 1984.

Mount Cook has been dogged at every turn by environmental and town planning problems since the $3,000,000 skifield was first proposed in 1973.

The company has seen its environmental opponents knocked back on appeals in the courts, but steeply rising costs have raised doubts in the ski industry that Mount Cook can afford its venture.

"Definitely not shelved, and we have no intention of dropping it," Mount Cook operations manager Bob Forward said.

But while Forward was talking last year of being able to finance the Rastus Burn development internally, he has indicated that only the cost of the road and buildings ($1,000,000) will be entirely met by the company. Up to 70 per cent of the cost of the ski lifts will be financed by the supplier, which will probably be the giant Austrian lift company, Doppelmeyer.

With a scheduled opening date of 1984, the huge task of building the access road will take place in the summers of 1982 and 1983, and buildings and the first chairlift should be installed in 1984.

Mount Cook is still fighting its environmental battles. The next hurdle is to satisfy the Otago Catchment Board of the standard of sewage effluent from the skifield.

Forward said the board declined permission to discharge treated effluent from the elaborate sewage treatment plant on the skifield because it was not satisfied with its purity. That decision is being appealed to the Town and Country Planning Tribunal.

Acknowledging that developing Coronet may have taken a back seat in favour of financing Rastus Burn, Forward listed several major improvements to the country's best-known skifield that will greet skiers this year:

- A new 1050 an hour capacity T-bar lift to replace the Rocky Gullylift;
- A six metre by 11 metre extension to the skifield restaurant;
- Reduction of the walking track's steep grade from the car park;
- Construction of a vehicle stopping off area at the field itself;
- A fast-food stall on the field at Half Way Station;
- Installation of a sophisticated electronic control unit ensuring at least 1200 persons an hour capacity for the treble chairlift.







# Stock Exchange weekly review

**FOR WEEK FRIDAY FEBRUARY 13 TO THURSDAY FEBRUARY 19**

| | Last sale | Week's high | Week's low | Turnover |
|---|---|---|---|---|
| ALBURORK,:9I | 14[illegible] | 142 | 141 | [illegible] |
| 7.5% PR | ... | ... | ... | 0 |
| 6% PR | ... | ... | ... | 0 |
| AJAX G.K.N. | 210 | 210 | 211 | 100 |
| A.J.WHITE | 125 | ... | ... | 0 |
| 11.5% CONV PR | 105 | ... | ... | 0 |
| ALCAN,50C | 180 | 180 | 175 | 520 |
| A.H.I. | 25[illegible] | 2[illegible] | [illegible]35 | [illegible] |
| ALLIANCE,50C | 90 | 90 | 90 | 1701 |
| 17% CONV PR | 80 | 80 | 75 | 1200 |
| ALLFLEX | 129 | 135 | 10[illegible] | [illegible] |
| ALLIED FARMERS | 365 | 365 | 345 | 110000 |
| 12% CONV PR | 365 | 365 | 365 | 100 |
| ALLOY STEEL | 110 | ... | ... | 0 |
| A.H.OXSLEY, 50C | 255 | 250 | 250 | 4000 |
| AMPOL PET.,50C | 266 | ... | ... | 0 |
| 10% PR | 222 | 225 | 225 | 500 |
| A.BEAVEN | 110 | 150 | 145 | 13500 |
| 11% CONV NTE | 150 | ... | ... | 0 |
| 11.5% CONV PR | 175 | 125 | 175 | 500 |
| ANDAS GROUP | 132 | 175 | 132 | 1200 |
| 5-6.5% PR | 95 | ... | ... | 0 |
| 12% CONV PR | 103 | 10[illegible] | 100 | 500 |
| ANZ BANKING GROUP | 260 | 210 | 235 | 9700 |
| A.ORIENT | 900 | 900 | 500 | 2400 |
| [illegible] 6-7.5% PR | 80 | ... | ... | 0 |

# Mining men fear big gamble is misunderstood

From Page 1

After meeting Birch, mining interests believe he favours provisions for Town and Country Planning Tribunal decisions on the right to mine.

Mining interests point out the court has ruled in Stewart vs the Grey County Council, in which a local landowner fought against the Kaneiri gold dredge, that the Mining Act holds precedence over the Planning Act. But the case was heard before the new Planning Act replaced the Town and Country Planning Act of 1953.

Explorers have reluctantly conceded to Birch that they would submit their protests ro town and country planning hearings if the Goveroment could ensure that the process was reduced to a single hearing, hopefully with only the immediately interested parties represented.

They want to avoid the multiplicity of hearings that have bogged down so many projects in the past.

They want hearings held before a disinterested party with a national outlook rather than by a locally interested body.

A major concern of mining companies is their belief that the public doesn't understand the high-risk nature of the mineral exploration business.

They say the debate is being carried out in local body heariogs and in the press with little reference to the national interest and the benefits that a mineral find could bring and with scant regard to what they maintain are fundamental facts.

They point to examples of what they complain is misinformation in the reams of leaflets and posters flooding into the Coromandel.

Environmentalists have roused emotioos with questions like: "Do you want an open pit mine in your backyard? If not you'd better stop these prospectors before it's too late."

But the mining interests insist that only some prospects being looked at might lead to open-cast mines. Others are too deep and would have to be mined underground. In either case, any mine development is a long way in the future.

Another environmentalist leaflet says: "Waihi, where Amax has already spent $1 million and plans to spend $3 million this year (merely on a prospecting licence) and extracted $2¼ million worth of gold". Amax hasn't extracted any gold from Waihi. But Mineral Resources Ltd, some years ago was given Mines Department permission to do bulk sampling; it extracted the gold.

The leaflet says also that an international corporation "wishes to displace 300 families from their homes at Waihi". The company referred to – Amoco Minerals – is looking at a seam of gold 800 feet below ground above which there are 300 houses. If Amoco mines this, it would almost certainly be underground.

Waihi already stands above a honeycomb of underground mines. Further, Amoco might consider buying the 300 houses . . . a far cry from throwing 300 families out of their homes.

While the environmentalists give the impression the mining companies may turn the whole Coromandel Peninsula into a huge hole in the ground, mining companies want to emphasise the high odds against finding mines and the high-risk nature of exploration.

Finding a mine is only the first small step, and it may be 10 to 20 years before the first dollar of payback is earned. In the interim, the prospect must be pattern drilled to map out the extent and grade of ore, a feasibility study must be done, followed by an evaluation and marketing report, finance must be arranged, marketing contracts signed, and engineering and construction work done.

After the worthless overburden is removed, exposing the ore body, the first ore can be concentrated and sold.

Viv Forbes, secretary-treasurer of the Queensland Council of Resources and Energy, presented a mining seminar in Brisbane last year with international figures outlining exploration costs and the odds against finding one mine.

The Australian explorer may spend $20 million to find and prove a mine and lose the lot if the ore body is too small to overcome other disadvantages, such as distance from a workforce, smelter, or port.

The Australian Mining Industry Council, relating significant mineral discoveries to exploration costs, estimated the average cost of finding and proving a mine to have been $[illegible] million between 1961-62 and 1971-72.

In Australia, exploration cost per discovery was $12 million in 1967-72 and $20 to $[illegible] million for a find containing gross metal values over $[illegible] million – a small find equivalent to 10 to 12 tonnes of Mount Isa lead or copper ore.

Exploration cost per discovery in Canada was $2 million in 1946-50 and $27 million in 1971 (a discovery is not a mine).

In 42 years of exploration to 1969, Cominco looked at 1000 properties; 78 of them warranted further exploration (costing more than $100,000). Seven of the original 1000 prospects became profitable mines.

From 1939 to 1949, the United States Government's Strategic Minerals Department Programme looked at 10,071 prospects and worked on 1342 of them. Only one successful mine emerged, San Manuel. The remaining, 10,070 prospects were abandoned.

Amoco Minerals (NZ) Ltd project manager Peter Roberts points out that between 19[illegible] and 1976, Australian exploration expenditure came to $141 per square kilometre, compared with $37 per square kilometre in New Zealand.

Over that period, total exploration expenditure in this country was less than $10 million. But the average international cost of an economic discovery is $30 million. (See *NBR* March 24 1980).

Over the years, total land areas directly or indirectly affected by mining in New Zealand constitute 18,000 hectares (1/1500th of total land area). Total annual mineral production now requires only 240 hectares.

Mining interests would be happier about the debate surrounding their operations if they were confident the public understood their business. But they fear that what they regard as "emotive" [illegible] prevail [illegible] re-election [illegible] months.







# Seminars look ahead to changing trade patterns

by Warren Berryman

TRADITIONAL shipping arrangements have come under incressing fire as the country presses towards an export-led economic recovery.

Exporters and the Government agree that freight costs, both external and internal, are blunting our export drive.

The shipping issue was dominated last year by the argument over conference versus non-conference shipping lines, with foreign-owned shipping lines and their producer board allies on one side and locally owned meat and wool companies and farmers on the other.

This year, more dynamic and futuristic considerations promise to eclipse the battle between conference and non-conference interests.

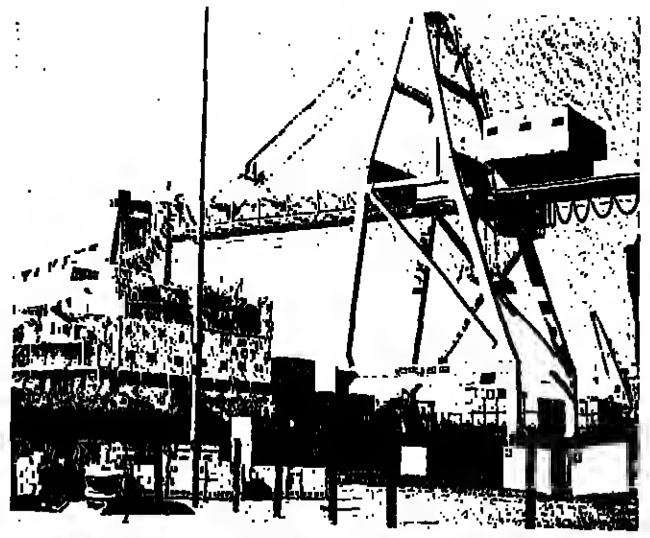
Shipping experts have for some time recognised the fundamental implications for our shipping services of the changing trade patterns as the EEC protectionism severs our umbilical cord with Britain.

Two shipping seminars in the next month will address themselves to the question of future shipping needs.

A seminar, organised by the 200 members of the Guild of Agricultural Journalists, will begin in Auckland on Wednesday with an impressive *line-up* of speakers.

The object is to avoid the conventional slanging matches from fixed positions and to look at our future shipping requirements in the light of changing patterns.

Speakers will include Michael Payze (Shipping Corporation), Adam Begg (Meat Board), Stuart McAllum (Refrigerated Express Lines), Bernie Knowles (Dairy Board), Kevin Hing (Manufacturers' Federation), a representative from conference member P & O, Gray Hunter (non-conference ABC Containerlines), Emmett Hobbs (shipping consultant), Trevor Hayward (NZ Railways), Jack McCarthy (independent wool scourer and exporter from NZ Co-operative Wool Marketing), Bob Ferrier (dense baling entrepreneur), Grant Sinclair (Wool Board transport man).



Containerisation . . . as good an idea as once thought?

Almost every entrenched argument on shipping in this country is embraced by this line-up.

But the agricultural journalists have asked each speaker to forget past differences and address the future with a list of questions:

- Fuel costs are forcing shippers to slow ships down. Longer transit times mean more and higher-interest money dead on the water until delivery and more exchange risk cover for exporters. Will this make options such as the trans-Siberian railway, with its long transit time, more attractive?
- New Zealand moved vigorously into containerisation. Internal freight costs involved in consolidation at major ports are now wiping out the benefits of contaioers. Would it be cheaper to use conventional ships, picking up odd lota of cargo from small ports near primary produeing areas, rather than rail-freight meat and wool to major ports for consolidation and containerisation?
- Containers are best in a point-to-point delivery setup. But American health authorities insist on unpacking meat containers at the ports, involving extra double-handling costs before the meat is sent to its buyers. Are containers all they were cracked up to be for meat exporters?
- Manufacturers, paying high commodity rates, subsidise producer board cargoes paying lower rates, but manufacturers are not privy to the negotiations between producer boards and shipping conferences. Should they be represeated?
- Traditional arrangements between producer boards and shipping cartels were made wheo the bulk of our products went to Britain. Now more is going to Russia and China on Russian and Chinese ships and more to Iran and Iraq, where British shipping cartels hold little sway. Manufactured cargoes rode on the backs of producer board cargoes. What happens when there isn't enough cargo to Britain and Europe to support a regular shipping service? Why hand a legislated monopoly to the conferences when we are exporting to non-conference areas?
- The world is over-serviced with ships. Non-conference bargains abound. If we break our ties to the conferences in pursuit of these bargains, what of the future? Will the present shipping overtonnage turn to rusting hulks, leaving us out on a limb with no regular shipping services?

A series of seminars organised by the Export Institute in conjunctioo with the Ministry of Transport will run from March 2 to 5 in Auckland, Wellington, and Christchurch.

The star turn at these will be Wolfgang Hubner, OECD administrator on the Maritime Transport Committee.

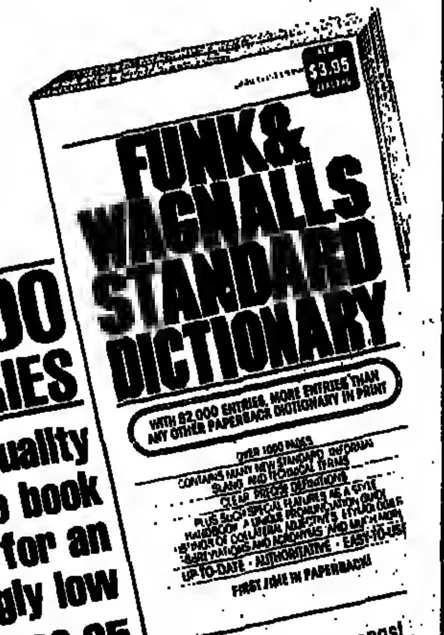
Hubner's job involves the study of world shipping which travels throughout Europe.

Export Institute director Ross Southcombe said that, like the agricultural journalists' seminar, this would look into the future shipping needs of New Zealand.

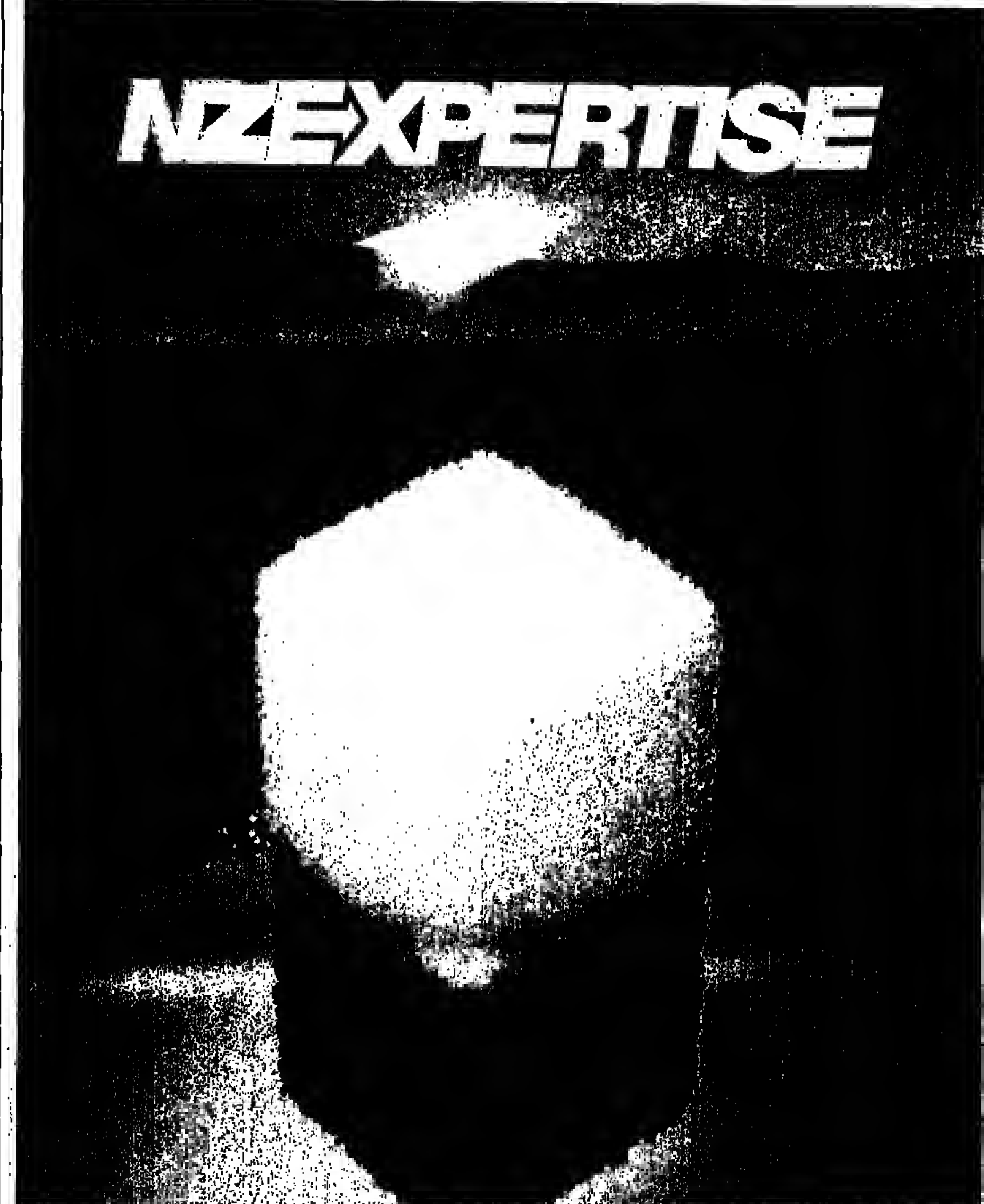
The Export Institute has another speaker, Peter Carr from the Shipping Corporation.

The agricultural journalists have 12 speakers from here aod abroad.

Cost to attend the Export Institute seminar is $45 and the agricultural journalists seminar $22.








*Socred phenomenon*

# Boyish charm — but underneath, the will to win

by Colin Jamea

**SOCIAL Credit leader Bruce Beethem la no eaay charecter to pin down. In thiaaixth erticla in e aeriea, Colin Jamaa looks at some of the aapects of a complex and in aome weya perplexing personality who will pley an important pert in voters' and politicel profeasionela' calculationa thia yeer.**

WHAT is ao intelligent guy like you doing in a party like this? That was the question that bemused observers asked about Bruce Beetham back in the early 1970s. And in a sense it is at the root of the questions about him now.

Beethem joined the Social Credit Political League in 1969, wheo it was in deep decline. He took over aa leader after it had been made a laughing stock during the John O'Brien era and was in real danger of extinction.

What sort of person would do that?

Was he a poliiical loner who could not bave made good in one of the big parties and so chose to be a big fish in a very small pool?

Was he some aort of nutcase who liked bashing his head against brick walls?

Did he have some peoetrating prescience that saw a path to power over what then seemed insurmountable hurdles?

Or was he a political simpleton wbo found o natural home in a shambolic third party and bas been kindly treated by luck ever since?

Beethem is a mao of mini-mysteries. Just when you think you've got him pinned down on some characteristic, he does or says something — or somc bit of evidence emerges — that makes you doubt the judgment you have just made.

For instance, hc will talk with an apparent, engaging candour that makes you convinced butter would not melt in his mouth. Then he will lough in a certain way, or drop some remark that causes you to draw back.

Perhaps the source of thc confusion lies in a contogious, almost boyish enthusiasm hc has for the gamc he is in. Hc has almost a street urchin quality.

It suggests the same sort of innocence that is fondly imagined for the undcr-8 midgets. But that fond imagination overlooks the detcrmination even thc midgcta havc to win.

Beetham often talks aa if hc stumbled into politics by a series of accidents, as if winning waa the last of his prioritica. But, make no mistake about it, he wants to win, and always has.

"I always intended to be a member of Parliament aometime — throughout my life," he says. "I waa going to have a teaching career first and then later ob bave a crack at beIng an MP."

Question: But you bad no clear idea, np till 1969 (the year he joined the league, after finding to his surprise he had come gradually to accept Social Credit economic policy as a result of staffroom arguments at Hamilton Teachers College where he taught), which way you would go?

Beetham: No.

And you cboose the most uopromising route? — Yeah.

Iocluding even accepting nomination in Rangitikel wbich wasn't a very promiaing seat? — Silly, eh?

At this point he laughs uproariously, infectiously, loudly. You feel yourself beIng warmed by his laugh as it goes on, wanting to join in. How can you doubt this man?

It is only later, after the interview Ia over, that something indefinable about the laughter grabbed at you — a feeling, perhaps, that the laugh was too uproarious, too loud.

The words that followed the laughter provide the clue: It doesn't seem logical, does it? I agree. I suppose behind it all lay a conviction that I could do it.

That you could actually get there in Rangitikei? — Yeah. Eventually.

The boyish charm has gone. The game haa vanished. This is the real world of ambiiion, a belief in his own ability that borders on (and sometimes spills over into) arrogance, a strong sense of personal destiny.

If you listen to bim in this mood, you begin to wonder whether there has not been some external inevitability about Beetham's rise. Were we always destined to have him as Prime Minister?

He claims to be a good tactician — "one of the best" — both inside and outside the league. "I'm as good as Muldoon and infioitely better than Rowling."

And, as he sees it, he scores over Muldooo in strategy. "I think I'm a pretty good strategist. I'm the only person in New Zealand who has worked out what the National and Labour strategy to counter Social Credit ahould be."

He's not telling, of course. But is his tactical-cum-strategic ability all that great? In 1976 and 1977 he tried unsuccessfully to get the Labour Party into some sort of electoral pact (which he also won't disclose for there may yet be cause to revive it some time) because he couldn't see Labour ever becoming the Government again and couldn't see Social Credit making "the sort of rapid headway I wanted to see it make".

Surely that is a sign of a loss of strategic nerve. A year later he was in Parliament and the Socred wave was rolling.

Not so, on the balance of probabilities. No one could have predicted the chance death of Sir Roy Jack in Rangitikei at the very peak of farmer discontent with the National Government.

That was pure luck. Sure, the league was well organised in Rangitikei, and so was ready for the by-election when it came. But that it came was luck.

And again with East Coast Baya. Again Socred was well organised — had, ln fact, been payIng unique attention to the seat. But not even Beethem claims to have predicted Prime Minister Robert Muldoon's extraordinary lapse of tactical skill ln precipitating that by-election.

Two gigantic pieces of luck have thrust Beetham from leader of an 8 per cent party going nowhere to leader of a 30 per cent party going maybe to the top.

Luck and a aense of single-minded destiny. That combination can prove irresistible. Again, when you atart to add up the evidence, you begin to wondet if he was not meant for us, whether we would have chosen him or not.

Has there been a masterplan? No, says Beetham, and on the balance of probabilities we have to accept that.

"I thought (at the time of joining) that from my academic background I might be able to make some sort of worthwhile contribution to the general political thinking of the league, to its campaign management and to its public projection, but I don't think it went much further than that."

It is hard to gainsay that. At the time, under Joho O'Brien's erratic leadership, the league waa going through its worst patch. Soon an apparently much more promising vehicle for fame would burst on the scene: Tony Brunt's Values Party.

As Beetham aaya, "nobody who was interested lo seeking power for its own sake would join a movement which bad juat suffered a serious rebuff and appeared to be in decline and certainly oobody would offer to become leader of a movement a little later on which by that point had reached the complete nadir of its fortunes."

The cynic would say that is the best time to take over a small movement aod mould it to your own ambitions. Which is what to a large extent Beetham did (about which more next week).

But as Beetham says, "it was a non-party really. I was leader of very little."

By any rational yardstick, it was not a logical step for a man who "always intended to be an MP". To take that route one would have to have a religious sense of mission, or an unshakeable belief in one's chariama, or have problems relating to the real world.

Beetham is not a misaionary. He has said he does not believe bia atrength liea in the field of ideas. His telegenic quality bemuses him rather than gives him a sense of power. And he is not a nutcase.

Perhaps two aspects of hia character explain the riddle.

Ooe is that he is something of a loner, aelf-sufficient and with a viaible authoritarian streak. Major party discipline would not have come easily to him, so he probably had no real choice but to take the third party route.

The other is his single-mindednesa. Once in politics, he made it his life. He works to a punisbing achedule. And he makes maximum uae of the advantages and akills that he has, including that bemusing telegenicity.

Put the pieces together and you get a acenario aomething like this:

- A long-term ambition and expectation to be In Parliament (not necessarily Prime Minister) which is present enough in the back of his mind to encourage him into politics but not intrusive enough to stop him taking up an apparently hopeless cause;
- A party with an idea that he finds convincing, which ia on the outer (auiting a loner) and is in need of tactical and atrategic skilla he believes he has;
- Real and early opportunities to put those skills to the test, with little opposition and early rewards in a rising vote in Rangitikei, whicb brings the MP ambition into focus (and may partly explain his willingness to seek an accommodation with Labour to ensure at least his own success).

Having got in, there was always enough happening to keep him in, to justify and encourage that single-mindedness.

And, while the scenario only just makes sense, it *does* make sense: ambirion, skill, single-mindedness and luck are oot a bad combination. It always had a fair chance of working — for Beetham personally anyway.

Brune Beetham . . . how can you doubt this man?

**Next weak: That Cheshire cat amila — more paradoxea about Socred'a Superstar.**

# Licence "error" accords with director's own view

by Warren Berryman

THE Trade and Industry Department is under fire from carpet manufacturers and the Wool Board for granting an import licence for a carpet tufter to New Zealand Woollen Rugs so that company can make nylon carpet.

Industry sources claim the decision was contrary to Government's wool-rich policy and not in accord with the "gentleman's agreement" not to make synthetic carpet here.

Trade and Industry director of textiles Dick Fraser has admitted the import licence was "an error".

Industry sources point out that it may be an error in terms of Government policy but that the decision is in accord with Fraser's stated beliefs on the carpet industry.

In a paper to the Textile Institute last November, Fraser argued against "the fairly comprehensive cradle-to-grave regime for wool – perhaps a greater source of incentive than for any specific commodity produced in New Zealand".

Fraser suggested that in the interests of the economy as a whole, consumers should be allowed to buy synthetic carpet at half the price of wool carpet, leaving more money to support industries with more export potential. "In our overall interests, therefore, might not a better option be to export bales of greasy wool?" Fraser asked.

Regarding the import licensing "error", he told carpet industry leaders he was unclear about how the decision was made except that it might have been based on a previous 1978 decision regarding Feltex and a proposal to make bathroom mats (which did not go ahead).

The Feltex decision had been made before the IDC's report on textiles came out, Fraser said.

New Zealand Woollen Rugs is almost ready to start production of nylon reel goods. The company based its investment and plans on Trade and Industry's import licence approval.

Carpet manufacturers and the Wool Board have asked the Government to stop Woollen Rugs from producing nylon carpet on the grounds that synthetic carpet production here would cause heavy unemployment in the wool-spinning industry.







# Market research: Consumer panels to spot trends

by Grev Wiggs

NOT so long ago in our marketing history, it was possible to peddle the same product year after year and record annual increases in turnover and profits even without increasing market share or mounting extensive marketing operations.

Population increase and a rising standard of living produced a climate for growth which called for only a minimum of selling activity.

Now with population growth at the zero mark and a market depressed by thoughts of inflation and unemployment, one looks long and hard to find growth areas.

When the rate of consumption has flattened out, any further increase in sales must be at the expense of competitors, or be achieved by identifying new market sectors where growth is possible.

The situation is well described in the prospectus for the Heylen Research Centre's food and drink market study.

It points out that per-capita consumption of food has levelled off and growth in total consumption must be tied to the general rate of population growth.

"Management can no longer look to a general expansion in food consumption to provide the profit growth required to maintain a viable return on capital," the prospectus says.

"However, while the total market is virtually static, the structure of the market has experienced considerable change in terms of the relative importance of the various market segments.

"This has been brought about by technological developments and new social trends, changes that will accelerate in the years to come and that will increasingly lead to a decline in some market segments and compensating growth in others.

"It is only these growth segments that can provide the necessary conditions for profit growth."

This means that the marketer must develop amazingly sensitive antennae to sense these shifts of buying behaviour or be prepared to invest in a programme that monitors change in the way the Heylen study proposes to do.

An interesting feature of the Heylen study is the methodology employed – covered by a single sentence in the proposal.

"The study will proceed by way of a questionnaire survey of the members of the Heylen consumer panel."

Consumer panels are not new in market research and are widely used in Britain and America, for example. But the setting up of a consumer panel in New Zealand by a major research organisation is significant.

One suspects that labour costs are a very high component of market research and that this is a move to hold down the rate of price increases for surveys where this research technique is applicable.

Although not cheap to set up, the consumer panel is operated by mail without need for the expense of personal interviewing on each and every occasion.

But there are other salient advantages for the subscriber.

The distinctive characteristic of a consumer panel is that it comprises a collection of individuals, each representing a household, who have agreed to make themselves available for research.

The original selection is made on a random basis and then refined so that the composition of the panel accurately reflects the population at large. The balanced panel then represents a sample of the population and a sample of households.

Once the panel is formed, it is used repeatedly. There is a mortality factor in the list – people who die, change their address or lose interest – but it is fairly low. Drop-outs are replaced in such a way as to keep the sample balanced.

Panel membership is a very time-consuming activity. It entails filling in the answers to lengthy and sometimes complex questionnaires or in diary-keeping. Motivation and interest are, therefore, the driving force in sustaining the respondents' activity.

Each participates in a draw for prizes on a regular basis and by a variety of methods the householder is made to feel that his or her participation is important and essential to the panel.

There is no perfect method of sampling for research purposes and the consumer panel suffers from some weaknesses which have to be recognised . . . under-representation of the wealthy or poor and over-representation of the stable and better organised households, the exclusion of individuals in institutions, armed forces and so on.

The compensating advantages arise from the continuous measurement of the same people over the measurement period.

"We are in a market situation where the early detection of even small shifts of market share is important," Heylen's Wellington chief, Ken Fink-Jensen, told *NBR*.

"Because we are recording continuously the behaviour of the same consumers, the limitations imposed by the possibility of statistical error are heavily reduced. The results are more efficient and hence more accurate. This technique is of great value in the early plotting of trends."

Consumer panels can provide superior results to interviewing when the questionnaire is long and elaborate. If the timing of the interviewer's call is not appropriate, the respondent might find it intrusive.

But a mailed questionnaire can be completed at a time selected by the respondent and the response is more readily forthcoming. The length of the questionnaire is, therefore, not a barrier to co-operation.

One further advantage provided by the consumer panel is the location of sub-samples of narrow selection criteria which can be identified without costly door-to-door surveys.

When static or low-growth market conditions apply, the marketer needs the best market measurements available as the margin for error is low.

Auckland branch chairman of the Advertising Institute Bernie Mason receives a certificate of appreciation from Mrs Pam Berry, of the New Zealand Society for the Intellectually Handicapped, for the donation of $1000 resulting from a recent Victor Borge luncheon. Sharing the moment is IHC trainee Joanne Lumley.

# Automotive update

DID you know that in 1978 there were two persons per motor vehicle in New Zealand, compared with the following densities in countries which are in the business of manufacturing motor vehicles: 2.8 persons per vehicle in France, 3.4 in Britain, 2.9 in Germany, 3.2 in Italy and 3.5 in Japan?

And in case you start preening your national tail-feathers, were you equally unaware of the fact that in 1979, more than half the cars on our roads were more than eight years old?

If you want to find out the share of market enjoyed by each new passenger car marque from 1973 to 1978, or the regulation relating to rear lights, or the number of cars, trucks, omnibuses, trailers, motorcycles and powercycles registered, for example, in Onekawa, Ongaonga and Opoutama, or the agricultural population tractor population in each statistical area, or any other of scores of facts and statistics relating to the automotive industry in this country, then beg, borrow or buy a copy of the Motor Industry Year Book.

Motor Industry Year Book 1980. Published by the NZ Motor Trade Federation. 144 pages. Price $12.00.

## ADVERTISING LECTURE FOR SMALL BUSINESSES

"How to advertise the small business on under $1000 pa" is the title of a lecture given recently by Auckland adman Brian Morris to the Small Business Agency's diploma course. The 90 minute lecture covered many topics, including: Do-it-yourself research; Finding your customer's REAL reason for buying; How to get free publicity; Getting the experts to help you – for nothing; Cutting out the wastage in advertising expenses; Advertising techniques which work best for small business advertisers; plus more. The lecture was taped and copies are available (cost $12 complete, tax deductible) from: Gingernut Marketing Ltd, P O Box 39-050, Auckland. Telephone 600-464.

*Insurance*

# Investment subsidising underwriting losses

by John Sloan

INTERNATIONAL and local insurers warn that the days of cheap insurance may be over.

Insurers recognise they cannot weather an economic slump if they continue to sustain underwriting losses which bleed their reserves.

The South British Group and National Insurance Co of New Zealand sustained major underwriting losses in 1980 – South British $9.4 million and National $7.1 million. These deficits were subsidised by investment income which enabled both insurers to declare an overall profit.

Sir James Fletcher, chairman of directors of the South British group, and Peter Fels, chairman of the National, clearly expect n retrenchment by insurers and a tightening of the current soft market.

A State Insurance office executive shared that view. After a period of instability, there were signs of a return to more responsible underwriting, "and this desirable trend is likely to continue," he said.

The South British and the National underwriting losses resulted mainly from the soft insurance market in Australia.

The Australian insurance market is so fragile that a leading international broker, Johnson and Higgins International, was reported as warning: "Multi-national companies operating in Autralia should be wary of too big a bargain on premiums and services . . . soft markets and declining rates have clouded the profit picture of many insurers and have forced one local insurer to close its doors and a US underwriter to withdraw from the Australian market. . .

"There is little possibility rates and premiums will return to profit levels for insurers any time soon. . .

"As a consequence, corporations looking for long term coverage in Australia should beware of too great a reduction in premiums. . ."

Insurers here are also being hit by the twin impact of inflation and recession.

Some are declining to quote for obviously unprofitable business which they might only hold on to for a year.

Many insurance brokers are concerned that the annual remarketing of major accounts increases their administration expenses and if the premium is reduced, so is their brokerage.

In comments that are germaine to the local scene, Tom Jackson, an executive of the American Travellers Insurance Co, remarked: "Insurers are not going ro bow to higher price pressures any longer. There will still be competition but not as fierce and rates will increase.

"Insurers are going to say to one another, 'OK, take the business, I don't want it'."

Insurers had reached the perceived level beyond which it made no sense to go any further, Jackson said.

Larger accounts pressured companies to reduce or improve prices, but insurers showing unprofitability were not willing to give large reducrions to big accounts . . . "Losses sturdy up people's backbones."

J C Morrison, president of INA Special Risk Facilities Incorporated, sees no significant tightening in the market until the middle of 1981 when the dual impact of lower investment income and higher loss ratios begins to filter down to underwriting.

While investment profits continue to compensate for underwriting difficulties, local insurers are well aware that as soon as total underwriting losses exceed a certain percentage, they are no longer offset by investment income.

One obvious answer to combat underwriting losses is to increase premium rates across the board but this would meet with considerable consumer resistance.

Another solution is to merge, as the New Zealand Insurance Co and the South British intend doing.

*Government administration*

## Census offers temporary work opportunities

by Rae Mazengarb

THE Statistics Department is gearing up to take the 1981 census of population and dwellings, a task which will require the temporary employment of 4500 extra staff.

Preparatory work is well under way to improve the method of collection of data from about 1 million dwellings, but the department is shying from advance publicity.

It wants to prevent a recurrence of the problems created in 1976 when publicity was confused with the simultaneous release of publicity over the electoral roles.

Because the Post Office is planning a further publicity binge on the new electoral rolls in early March, the Statistics Department will begin its census publicity in mid-March, just before the census March 24 date.

According to a department official, nothing new will be contained in the census forms but there will be some question restructuring.

To speed up the processing of results, the department has bought an ICL ME29 processor which will operate from Christchurch and communicate with the State Services Commission Trentham computer centre.

After preliminary editing, the data will enter the ME29 for further editing and correction before being sent to the Trentham computer.

The Trentham installation will do the main table processing and printing, with the ME29 having taken off some of the workload.

The bulk of the temporary jobs will involve the delivery and collection of questionnaires, but some 300 extra clerical staff will be required in Christchurch for coding census data.







*Secrecy*

# Freedom of information law still evolving in US

**THIS is part of a series in which Warren Berryman considers the American Freedom of Information and Privacy Acts in theory and in practice and compares the United States system with our own.**

ADVOCATES of open government in New Zealand generally look to America's Freedom of Information and Privacy Acts for example.

The trouble is, this example of open government refuses to stand still. Passed in 1966, and given real teeth in 1974 and 1976 amendments, the Freedom of Information Act continues to evolve in theory and practice.

So much has happened in court hearings, congressional hearings, General Accounting Office studies, and common interchange between seekers of information and government that the acts themselves serve only as convenient reference points — not as present exemplars to be adopted or rejected by New Zealanders.

And America's experience, taken case by case, could prove valuable to any legislator here.

The Freedom of Information Act gives any person right of access to any document, file or other record in possession of any federal agency subject to nine specific exemptions.

Government employees face legal penalties if they arbitrarily or capriciously withhold information.

In addition, the act permits agencies to disclose records, even though they fall within an exempt category, when there is no compelling interest for withholding them.

Any person can request this information. No one need give reasons for wanting the information. In theory a Russian KGB agent may request information from the American CIA.

Ralph Nader . . . policing the acts.

When passed, the Freedom of Information Act was seen as a threat to commercial confidentiality. But now the biggest single user of the act is big business.

When the laws were passed the FBI and CIA saw the information and privacy acts as a threat to national security. But now, after 15 years, neither the FBI nor CIA can point to a single instance of national security being endangered by either act.

When passed some saw the two acts as a boon to investigative journalists. But now some journalists have misgivings.

Boiled down to any democratic common denominator both acts have been a success.

Still there have been pitfalls.

Associate counsel for the House of Representatives government information and individual rights subcommittee, Bob Gellma, said foreign journalists often used the two acts to obtain information about their own countries unobtainable at home.

Two New Zealand journalists, each working independently, have used the legislation to get information on controversial New Zealander Bill Sutch from the FBI, CIA, State Department and Military Intelligence.

One was given part of the relevant files — 12 pages out of the 179 pages cited. The remaining data were denied on "national security" grounds.

The 12 pages contained such trivia as four American visa applications, clippings from the San *Francisco Chronicle* and *Auckland Star* and a State Department memo speculating that Sutch was a left-winger because he was a member of the Left Book Club (publishers of, among other books, George Orwell's *1984*).

Last year a New Zealand researcher went to Washington to get the Mount Erebus tapes from the Americans under the Freedom of Information Act. He failed because the Americans told him they'd been sent back to Air New Zealand and they couldn't release what they did not possess.

Last October-November *NBR* talked with journalists from the *Wall Street Journal*, *New York Times* and *Washington Post*, and Jack Anderson's team about the day-to-day use of the two acts by the press.

John Kwitinay of the *Wall Street Journal* said these acts impeded the free flow of information by codifying the sort of information that may be released and creating penalties for unauthorised disclosure. Kwitinay said he preferred the old days and ways, dealing with informed leaks.

The information and privacy acts caused agencies to shred files of historical significance for fear of forced disclosure, he said.

All the journalists we spoke to voiced one major gripe. Despite the law, gathering information under the Freedom of Information Act was too slow to be any use in daily news.

But Kwitinay was alone among the journalists interviewed in condemning the acts as useless.

The other journalists said it might take three months to several years to obtain information under these acts. Their papers were willing to put money up front to fight the court battles. Once obtained the information was worth it.

These journalists pointed to stories too countless to mention where the information gained under the two acts exposed corruption, political illegality, stupidity, and conspiracies by the CIA to subvert America's free press.

For these journalists the acts might have been too slow. But they worked for the public benefit.

Kathy Meyer, lawyer for Ralph Neder's Freedom of Information Clearinghouse, has watched the legislation evolve since she worked for the Democratic Committee bugged by President Nixon's men in Watergate days.

The Clearinghouse works for sister Nader organisations, journalists, authors, and public citizen groups using the two acts to pry more information from the Government. This body was instrumental in drafting the 1974 amendments to the Freedom of Information Act.

"In 1974 Government began to open up. Now there's a backlash," Meyer said.

# What's in a name? Little literary merit, maybe

by Jack Hodder

"INTELLECTUAL property" is the name on the door of one of the most interesting (but, in New Zealand, rarely visited) chambers of the law. It contains such subjects as patents, trademarks, copyright and passing-off.

It is notable for the celebrated names involved in litigation in its area and also for the intellectual confusion as to what is being protected.

Some of these matters were demonstrated recently in the English case of *Exxon Corporation v Exxon Insurance Consultants International Ltd* (*The Times* LR, 22 January 1981).

The plaintiff was the well known American oil company, purveyor of "Esso" products, foundation of the original Rockefeller fortune and, until recently, better known as the Standard Oil Company of New Jersey.

A few years ago, having been prodded into divorce from other Standard Oil companies by the anti-trust division of the United States Justice Department, the plaintiff decided a new name was necessary.

The obligatory committee was formed, laboured long and hard and finally invented a short, distinctive, readily recognised and memorised word devoid of meaning in any language: "Exxon". The plaintiff formally changed its name and promotional efforts to "Exxon Corporation".

In England a small, ill-advised and unconnected company subsequently appeared under the name of "Exxon Insurance Consultants International Limited."

Exxon of America was not amused and heavy legal artillery was wheeled out to prevent the upstart company from using the word "Exxon".

The proceedings were not defended and the plaintiff was readily granted an injunction based upon the ground of passing-off, that is, that the use of the word "Exxon" by the defendant could confuse others into believing it was associated with the plaintiff.

However the significant aspect of the decision was that Exxon Corp was ruled unable to claim copyright in the word "Exxon"; it was not, said Mr Justice Graham (who retired that week), an "original literary work" entitled to protection under the Copyright Act.

The decision thus departs from the rough rule-of-thumb often used in copyright cases, that what is worth copying must be worth protection.

The judge took the view that a single meaningless word, no matter how original, had insufficient substance when standing on its own to be a "literary work"; to have the necessary substance the word had to be accompanied by other words or used in a particular context or juxtaposition.

He found nothing persuasive in an American case where the word "supercalafagilistickespeealadojus" of *Mary Poppins* notoriety was afforded protection.

The judge's view can also be supported on policy grounds. The word "Exxon" was adequately protected by other areas of the law. There was the successful passing-off cause of action. There was also the scope for trademark protection.

But copyright protection, which lasts for a longer period than, say, patent protection and is available irrespective of the risk of damage or loss to the defendant, was quite unnecessary. It could also lead to inconvenience if copyright protection were extended to single words which became commonly used.

In the course of his judgment, Mr Justice Graham indicated that he considered there could be copyright in a title. If that view is followed there will have been a major change in the English law on the subject.

It has hitherto been clearly understood that there can be no copyright in the title of a work. The Privy Council seemed to have laid that down in 1939 denying copyright protection to the title of the song *The Man who Broke the Bank in Monte Carlo*.

American law has moved in a different direction and offers significant protection to titles on the basis that they are properties of real commercial value. For example Warner Bros paid the author of *Sex and the Single Girl* $200,000 for the right to use the title for a film in 1963, even though the book had no plot.

Warner Bros has not always been so successful. When it threatened the Marx Brothers with legal action if the movie *A Night in Casablanca* was released under that title (Warners having released the movie *Casablanca* five years earlier) it was defeated by a letter from Groucho which said, in part:

"I just don't understand your attitude. Even if you plan on re-releasing your picture, I am sure that the average movie fan could learn in time to distinguish between Ingrid Bergman and Harpo. I don't know whether I could, but I would certainly like to try".

Another feature of the Exxon case is its illustration of different requirements of originality for literary works, as opposed to artistic works.

Last year the New Zealand High Court issued injunctions to protect the copyright claimed in a wall-planner consisting of 17 rectangles and also to the format of three rectangles in a page intended to consist of pullout postcards (in both cases the outlines, not the advertising copy intended for the rectangles, were the subject of the protection).

It does seem a little anomalous that copyright protection is available for three rectangles but not for a brand new word.

Such anomalies (as well as pressing problems relating to modern technology) demonstrate the need for some upgrading of our Copyright Act, 1962. A revision of intellectual property laws was part of the 1978 National Party election manifesto.

Some distance may be covered by a committee announced by the Minister of Justice late last year. But that committee has very narrow terms of reference which exclude the fundamental problem areas.

The committee would probably be more usefully employed on reaching a verdict on each of the recommendations contained in the comprehensive Whitford report on English copyright and design law. That report is now years old.

(In the patent area, where legislation also lags behind, a major British report is now 11 years old.)

Another recent and noteworthy case in the field of artistic endeavour is the American case of *Silberman v Georges*.

Georges, a New York artist, painted a large work depicting three men about to attack a partly nude woman in an alley. The work was entitled *The Mugging of the Muse* and the faces of the men in the painting bore some resemblance to two of Georges' fellow painters, Messrs Silberman and Siani.

Georges' entitlement to the copyright in his painting did not prevent him from being found guilty of libel and ordered to pay some $30,000 to the plaintiffs.

And that may remind us that there is yet another area of the law which has been surveyed by a respectable committee and awaits some necessary legislative revision: defamation.





# The Afrikaners' Gotterdammerung ... and rugby

By Gordon McLauchlan

SUPER story-teller James Michener has no doubt about the salutary effect on South Africans of the cancellation of a Springbok tour of New Zealand.

In his latest historical saga, *The Covenant*, Michener writes much about the Springbok/All Blacks rivalry of the 20th century, starting with the 1921 series, the drawn series in New Zealand, in which the Hard Rock from Down Under, Tom Heeney, is described as playing a major part.

Later, near the denouement of the story, he has South African footballers musing: "The United Nations had condemned South Africa, but that was a bunch of dark-skinned third nations flexing their feeble muscles, and could be disregarded. The World Council of Churches had condemned apartheid, but they were a gang of radicals.

"The French-Dutch Commission had spoken harshly, but they were vexed because South Africa did not follow supinely in their missionary-socialist trail. But when Australia and New Zealand cancelled a rugby tour, the heart and spirit of the nation were endangered.

"'Why can't they try to understand us?' Jopie cried. Sannie and Frikkie kept cutting sandwiches".

*The Covenant* is only just published, but it has become almost autoistic for Michener's blockbusters to hit the bookshops and join the best-selling lists at the same time — and to stay there for months.

This is Michener's 22nd book since he started his writing career with *Tales of the South Pacific* and the eighth major historical novel since *Hawaii*. He has established himself as a resolute and accurate researcher whose work is seductively readable with a high level of historical integrity.

I recall an anthropologist who specialises in the Pacific region once saying that reading the first part of *Hawai* was then as good a way as any of learning quickly about the dispersal of the Polynesians.

*The Covenant* traces many generations of three families — one springing from the Bushmen, starting 15,000 years ago, one in the Dutch-Afrikans tradition, and the third from English stock.

Michener treats all three families with the compassion and understanding of a sound novelist and his narrative develops into the bubbling complex cauldron of affairs that is South Africa today. If he makes a judgment it is in a letter from one of the latest generation of the English family, Philip Saltwood, whose immediate forebears had settled in America, but as an engineer he went there to live and work.

Towards the end of the book, he writes a letter to an associate at the University of Michigan — a letter in which he says early on: "South Africa must be one of the most beautiful lands on earth, surpassed in my experiences only by New Zealand".

He goes on to talk about the extremely high standard of living, not only for whites but also, comparatively, for urban blacks.

Following are some excerpts from the letter which continues the bad press Christianity has been getting lately from such historians as Barbara Tuchman (*The Distant Mirror*), and Bamber Gascoigne (in his brilliant BBC series, *The Christians*):

• "... The Afrikaner ... is absolutely convinced by his historians, his teachers and his predikants (Dutch Reformed clergymen) that the white-slave mixture was the consequence exclusively of sailors and soldiers roistering into Cape Town on shore leave, and that no self-respecting Dutchman ever touched a slave girl. A naughty lad at Witwatersrand University has calculated that to achieve the amount of infusion that obviously occurred, every soldier and sailor would have had to come ashore with his trousers half down, go to work immediately, and not stop till the bo's'n blew his whistle to summon them back to the ship.

• "... the Afrikaner has an unshakeable belief that God personally has ordained his state and its traditions. I cannot tell you how shocked I was in discussing a management problem the other day with two univeristy graduates and hearing them tell me, 'But God wants us to do it that way. He entered into a covenant with us for that purpose'. Any prime minister taking office assures the people he will keep the nation on the course outlined by God. Students in school are taught that God devised apartheid, and I even heard a rugby enthusiast say that God engineered South Africa's victories, because He wanted His chosen people to triumph."

• "The blacks in South Africa are as capable as any people with whom I've worked. Wherever I've supervised a mine, I was relieved to find some South African black to take charge, because he was sure to be clever and hard-working and informed".

• "You must not conclude from what I've said that the English-speaking South African is much different from the Afrikaner. In fact, he profits equally from the present situation and might be even more reluctant that the Afrikaner to surrender his servants and his prerogatives. My English foreman confided the other day, 'Sure I talk liberal and I vote liberal, but on election night, when the tally's announced, I'm damned relieved the Afrikaners have won again. They'll know how to handle affairs when the crunch comes'."

• "After my third long trip through the country, friends at the mine asked what my most lasting impression had been, and I said, 'Just once I'd like to enter some South African town and see a statue to someone who wrote a book, painted a picture or composed a song'. I was weary of those dreadful monuments to minor generals who had fought battles involving 38 men ..."

• "As for my final guess, if the Gotterdammerung Afrikaners do use their blazing guns to protect themselves for the rest of this century, I think they can get away with it. But any hope of later reconciliation would prove impossible. I would expect them, sometime around 2010, to retreat under pressure to the Cape Province enclave, there to become the Israel of Africa, surrounded not by Arabs but by blacks ..."

The widely held opinion that the story of South Africa is a tale of gloom which will end with no one winning is clearly shared by Michener. The publication of *The Covenant* in New Zealand is perfectly timed with the country poised on the edge of a decision of the type once recorded in the story.

I don't know enough about South African history to say whether *The Covenant* has the tone of historical veracity or not, but Michener's reputation suggests it has. So perhaps a widespread readership in New Zealand would help us approach the coming months with more understanding of the background to the problem of associating with the nation that endorses apartheid.

*Office equipment*

# Checklist sets out cautions on VDU lighting

**by Peter Isaac**

CONCERN over the effects that visual display units have on eyesight has prompted the British Industrial Society Medical Advisory Committee to issue a checklist on safety measures.

In line with health authorities in developed nations around the world, the New Zealand Health Department has carried out a survey here.

The survey found nothing innately wrong with VDUs but it did point up a number of adjustment and mechanical problems which make the VDUs unnecessarily harsh on the eye.

The department found "excessive glare" and "distracting screen reflections" in almost half the VDU workplaces. And it discovered that technical flaws such as "jitter" appeared in 28 per cent of the screens.

The survey report was issued with a set of recommendations and a checklist on external lighting factors, ergonoimics, internal lighting (of the VDU) and general care and maintenance of the equipment.

In summary the survey said that "no VDU workplace met all the guidelines (set by the committee). The reason for this is that the VDU workplace has not been specifically designed on correct ergonomic lines and the office furniture has merely been adapted". Muscular discomfort in the arms, shoulders and neck was linked directly to "uncomfortable" viewing angles, it said.

The British survey concluded that the "visual and environmental problems" are those of discomfort and not of hazard to health.

The two reports substantially reflect work done in the 1950s relating to the impact of television screens on vision. From numerous television health surveys done, it was found that a correctly adjusted television set, viewed with the right external light, was no health hazard. A very substantial proportion of the population would now be suffering from very severe sight defects judging by the average individual's viewing time statistics, if they were a hazard.

The most fundamental problem, the ergonomic one, is now being overcome by furniture manufacturers who are attempting to overcome the problem of typewriter keyboards being higher than the level of the desk.

The obvious ways of overcoming this are by raising the height of the office chair or by lowering the height of the office desk.

But a problem with raising the standard typist's chair was that the higher it went, the more unstable it became. This was substantially overcome with the introducrion of the five star office chair with five splayed legs.

The five star chair is a common market invention; it was one of the products standardised in 1974 throughout the community.

Lowering desk heights has been more difficult. The most interesting example is at various Databank installations, where standard desks have been stepped down to accommodate the keyboard height at a normal working level.

Precision Engineering, the AHI subsidiary which is the leading builder of office furniture, manufactures a standard typists "return" fitment that screws into a standard desk and places the keyboard at a standard desk height. This allows a uniformity of vertical diatance between the VDU and keyboard.

Precision Engineering is putting emphasis on its mobile "Glida" brand of table that allows keyboard and display unit to go to the operator rather than the other way around. Because the table is custom-made for the modern office it features a keyboard at correct ergonomic height.

The Health Department's recommended pointers are fairly stringent when analysed individually. The checklist stresses humidity levels for eye care, general office lighting of 150-200 lux with lighting onto hardcopy of "about 400 lux". The checklist for VDU workplaces also asks this question of employers: "Does the job provide adequate variety?"



*Real estate*

# Divorce causing some pressure on renting

**by Rae Mazengarb**

THE Matrimonial Property Act sent ripples of apprehension through the housing market. But a National Housing Commission study to be published suggests that the Act has not had the significant effects which were forewarned by those dealing with divorced or separated couples.

The commission initiated the study six months ago.

Feedback from the legal profession and real estate market had suggested that the Matrimonial Property Act was responsible for forced sales — houses sold up quickly at less than their true market value — and resulting in pressure on housing as each party in a divorce attempted to begin a new life.

But the commission's executive director, Brian Conroy, said the study did not turn up conclusive results to show that this was happening.

It was an important problem and the research — including case studies — would generate a great deal of interest, he said.

The study suggests that divorced couples teoded quickly to form new relationships with others in similar circumstances, and the anticipated pressure on housing apparently did not eventuate.

But there were indications of some pressure on the rental market, particularly in Wellington and Auckland, Conroy said.

The survey — which covers the Wellington High Court area, extended to Levin in the north and to the Wairarapa — is simply a snap-shot look at the subject, but is thought to be typical of what is happening elsewhere in the country.

Working in co-operation with the Law Society, the commission surveyed all law firms in the area.

Research consultant Judith Davey undertook the work with help from a senior law lecturer at Victoria University, Bill Atkin.

Davey said that as a statistical exercise, looking among other things at who kept the matrimonial home and how the departing spouse fared for housing, had been extremely difficult.

There was no way of even knowing how many marriages broke up because separation agreements were not statistically recorded.

Readily accessible information, such as court records, was inconclusive, because lawyers suggested less than 10 per cent of matrimonial property cases ever got to court. Those which did involved large amounts of property difficult to categorise, or cases where the parties had become embittered, and tended to differ from the bulk of matrimonial property cases settled outside the courts.

"Court records give the impressioo of much greater discord than actually happeos," Davey said.

But the extra data gathered from surveying lawyers provided more helpful input.

It seems that many couples are settling the property question much earlier than before to allow the departing spouse to begin a new life.

But according to Conroy, many marriages which break up realise a fairly small equity which, when divided, leaves little for each of the parties to put into a new property.

They can't qualify for Housing Corporation loans in most cases. Moreover, many don't want the "stress" of owning property again.

The study shows these people tend rather to get together with others in similar situations to share accommodation.

## Media

# Newspaper fails in upmarket readership bid



PUBLISHER Philip Harkoess launched *The Nation* on November 6, 1980, billing it as an "authoritative weekly newspaper". Eight issues later Harkness threw in the towel and issue nine was stillborn.

British readers, for example, have a wide choice of weekly magazines and newspapers including those as clearly authoritative as the *Sunday Times*, *Observer* and *Economist*.

It was for the local version of the upmarket, thinking reader these notable publications appeal to, that Harkness published *The Nation*.

Harkness remains convinced that a market of 25,000-30,000 copies a week should be obtainable in New Zealand. But, apart from the first issue, when curiosity was high, it was a level *The Nation* never reached.

The initial 30,000 print run was trimmed back as sales failed to meet expectations, to below 18,000 for the last issue.

Paid circulation hit the "worst possible scenario" prepared by Heylen researchers before *The Nation* first went to print, though Harkness said that was still comfortably above *National Business Review's* audited 8130 weekly average.

But circulation is only indirectly an important factor. Advertising is the key to any publication's success, because the news-stand price rarely covers more than the cost of paper and printing.

But advertising agencies demand to know who the readers are.

Pre-launch research distributed by *The Nation* showed the probable reader belonging to households with an income of more than $15,000 and with an average income of $21,337.

Harkness says *The Nation* exceeded those expectations, attracting subscriptions from the cream of the readership strata.

Distribution difficulties contributed to *The Nation's* downfall. It was faced with a single national distributor demanding several days lead time in order to guarantee meeting an official publishing date — this ruins the topicality of any current affairs magazine.

*The Nation* tried a smaller Auckland-based distributor which handled a sporting publication. The service was adequate in the four main centres, but elsewhere failed to reach the desired frontiers.

Distribution, according to Harkness, is the major problem for any new publication. Not only must the publication get to its readership but it must also be controlled and specific enough to permit a circulation and to woo advertisers. It appears that subscription distribution is the only realistic medium for a small magazine.

Ironically, as the decision to close was taken, forward paid advertising bookings for February were close to target. But the first audit on which the closure decision was based boded ill for advertising sales by mid-year.

Advertising agency reaction to *The Nation* was mixed and Harkness has blamed their conservative attitude for the paper's downfall.

Colenso Communication's Graham Hunter said he did not have any visits from the paper's representatives.

"It's not up to me to chase after them," he said.

As a product, Hunter said, *The Nation* "had potential" but it failed to fill the gap its research indicated existed.

From an advertising point of view, "I doubt if there is room for a paper like *The Nation*," he said.

Jane Anderton, at Mac... says she was "very exci... about the paper.

"My first impression ... what a dirty little rag. B... looking closer, it was g... reading and had good conte...

"There was definitely ... market for that calibre of e... torial both from a reader's ... and advertising point of view ... had an authoritative envir... ment," she said.

And Anderton, at ... received *The Nation's* adv... tising representatives on ... than one occasion.

As a publication, she said ... was chasing the same adver... ing market already domin... by *The Listener* and *Nat... Business Review* and altho... she would have been unlikely ... make placements exclusive... *The Nation*, the paper ... have offered a "certain ... in placement".

For one client, Ande... won two free advertise... and was about to pay for sp... in February when the pa... folded.

Anderton says there is ... scope for an "authorit... magazine to pick up the ... advertising dollars.

"There is not sufficient ... available," she said.

Harkness defends his de... sion to close *The Nation* as ... of a prudent businessman.

"Even with a few alterati... in distribution it would h... taken 12 months before we ... broken even," he said.

"There is not much doubt ... could have succeeded with ... more capital."

*The Nation* was launch... editorially with four journa... and a team of contributors.

Harkness declined to s... how much his paper lost in ... short career — *NBR* estima... between $50,000 and $80,0...

Asked if the venture had ... a big hole in his pocket, Har... ness said "heavens no".







## Energy

# A role for economists in project planning

by Ree Mazengarb

THE Association of Economists' summer conference in Wellington produced conflicting views on the role of economists — particularly the academics — in the development of large energy-intensive projects.

The seeds were planted during a panel discussion among four prominent economists on the controversial second smelter.

Otago's Professor Paul van Moeseke, one of the panelists, suggested setting up a body of independent economists with internationally recognised credentials. Their task would be to make thorough economic appraisals of large developments such as proposed smelters, taking into account the total resources and needs of Australia and New Zealand as a whole.

Van Moeseke's comments were sparked by his misgivings about the appraisal techniques and the criteria used by those charged with the task of analysing the second smelter project.

But behind the idea is an attitude shared by a significant group of economists: there is perhaps no-one more lonely than the economist who publicly provides an alternative input to a controversial proposal, especially if that economist is geographically positioned in the area which stands to be most affected by the particular development.

Institute of Economic Research director Kerry McDonald said last week it was not uncommon for an isolated economist to be strongly attacked for voicing arguments along lines not generally accepted.

But he said he doubted that the setting-up of a special independent group would achieve the open debate needed in the early stages of the smelter argument.

He rejected the idea that the Association of Economists sponsor such a group, but admitted there could be some merit in collaboration with Australian economists to supplement local skills.

"There is a good case for much more information to be made public," he said.

"There is a strong case for more professional economists, especially the academics, to get involved" — assessing the merits of proposals and getting into the public arena with their comments.

Economists from the Otago region told *NBR* that getting into the smelter debate had disturbing consequences.

Since publication of his first critique on the subject, van Moeseke has been guarded in his public statements. Other members of his department report pressure from the Dunedin business community for the economists to stay out of the argument.

But as we reported last week, visiting professor to Otago University Bob Wright added his views on the second smelter project in a paper delivered to the conference.

Wright said he does not believe New Zealand is the place for such a development. The Government and the public are in a "very vulnerable position" in terms of the risks inherent in the project, he says.

Specifically, he referred to the Otago region which he said "may suffer some adversity because of instability or inflation..."

But he points out that this can be overcome by "appropriate corrective action" by the Government.

More crucial, he says, is the issue of financing — the realisation that the risks associated with the project have been shifted through debt financing so that they are borne by New Zealanders in the next and succeeding generations.

In the main section of his paper Wright draws attention to what he calls "innocuous" aspects of the financing of the new facilities required to generate electricity, assuming finance is by way of long-term foreign loans.

"The effect of this is to shift the definition of 'costs' so that it does not mean the resources used in construction but rather the repayment of the loans," he says.

"This sleight-of-hand may seem to put the project in a much more favourable light because it moves the costs from the present to the future and their present value can be reduced by discounting."

He warns that this apparent advantage can easily be wiped out by exchange variations if the loans are repayable in foreign currency.

"That is to say, foreign financing can make a project look attractive on the surface but it also adds a new element of risk."

He warns about the irreversibility of risk, pointing out that to take a decision on the smelter now, largely rules out other energy-hydro intensive projects in the short-term.

Von Moeseke did not deliver a paper, but was given permission to phrase his comments on the appointment of a professional independent body of economists.

He solicited no support, but sources say reaction to the idea was unfavourable.

Asked what he thought of the conference overall, McDonald said it was productive in showing why there had been disagreement among economists in some areas. But there had not been enough time for interaction with Wright over the detail of his paper.

McDonald said Wright's comments about risk-sharing were "a very good exercise".

It was a pity a university economics department — perhaps at Auckland or Victoria — had not committed resources to the study of energy-intensive projects, he said.

*Regional development*

# Growing pains face energy-rich Taranaki area

by Susette Goldsmith

AN era of enormous change is being ushered in for Taranaki. A province traditionally engrossed in its dairy industry, it is rapidly becoming the country's centre for the energy industry. Conversation has turned from butterfat content to petajoules and "feedstock" has taken on a new meaning.

But the transition from agrarian to industrial concerns has not been without difficulties. The main problems seem to stem from the secrecy which shrouds the developing industry.

Early last year, as several companies vied for the chance to gain a toehold in the province, the competition was hot. Naturally, the companies were not willing to disclose the prices they had paid for the prime farmland purchased – nor were the farmers.

Rumours led to suspicions in rural quarters, both toward the companies and among farmers.

More recently, environmental groups have clamoured for facts and feared the worst.

Some councillors and their officers have claimed angrily (and still do) they they have been "fobbed off" by the companies, which have denied them the information they insist they need for their planning.

It was therefore timely and politic for the Taranaki United Council to organise a one-day seminar in New Plymouth in December to air some of the problems. Guest speakers included teams from the Petroleum Corporation of New Zealand (Petrocorp along with Petralgas, a Petrocorp-Alberta Gas Chemicals Ltd partnership), Mobil Oil NZ Ltd and Shell BP and Todd Oil Services Ltd, the secretary for energy, Bill Duncan, the director of exploration, geothermal and gas development for the ministry, Vernon Dark, and the project manager for the Ministry of Works and Development, Graeme Shadwell.

The audience included representatives of most Government departments (many of them from Wellington), members of Taranaki local authorities and local business representatives.

Each team representing the three petrochemical companies outlined its present activities and predicted "projected and possible" developments for the future. They spoke confidently and reassuringly; the figures quoted were comprehensive and impressive.

But those in the audience who expected to finally get answers they had been looking for were again disappointed. Both Petrocorp and Mobil made it clear that there was a good deal of information that could not be shared.

The Waitara methanol plant's application to proceed under the National Development Act is now being heard. Because the hearing is the first of its kind under the controversial act, it is something of a guinea pig and Petralgas stated firmly that discussion of some issues involved would be "quite improper".

Mobil was no more forthcoming. The company's Motunui synthetic gasoline plant is a vital one. When fully operational, it is expected to meet one-third of the country's petrol needs and will be the world's first to turn gas into gasoline in commercial quantities.

An environmental impact report on the project is being prepared and an application to proceed under the National Development Act is likely to be made soon.

The only consolation for those in the audience with complaints was an assurance from both companies that new issues raised would be taken into consideration.

But there was no reluctance by the companies in forecasting the region's future. The methanol plant proposed for Waitara (Petralgas), the gas-to-gasoline plant at nearby Motunui (Mobil) and the ammonia-urea plant under construction at Kapuni (Petrocorp) were described as only the beginning of energy industries in Taranaki.

Predictably, no positive details could yet be given on further down-stream projects, including an ethane cracker plant for the production of ethylene, were broadly hinted at.

Petrocorp's senior planning analyst, Don Gray, predicted the further establishment of petrochemical industries not necessarily tied to the three projected plants but dependent on new resources.

Still reeling from a barrage of statistics, numerous plans for a spaghetti-type network of pipes through prime dairy farmland, a suggestion of a new port north of New Plymouth and the proliferation of energy industries, the audience was given the opportunity to voice its concerns.

Questions ranged over a broad area – transport of products, treatment and disposal of effluent and safety precautions were some. But two overriding concerns came through clearly – how will Taranaki people be affected by the development and who pays?

Company representatives assured the audience that the impact on the area both physically and socially would be minimal. At the same time, however, they disclosed their predicted construction workforce figures – up to 1000 workers at the peak construction period for the methanol plant, construction period of 24 months beginning at the earliest at the end of 1981; up to 1530 workers at the peak construction period for the gas-to-gasoline plant, construction period three years, beginning at the earliest in 1982.

Both companies were hesitant to say how or where the workers were to be housed.

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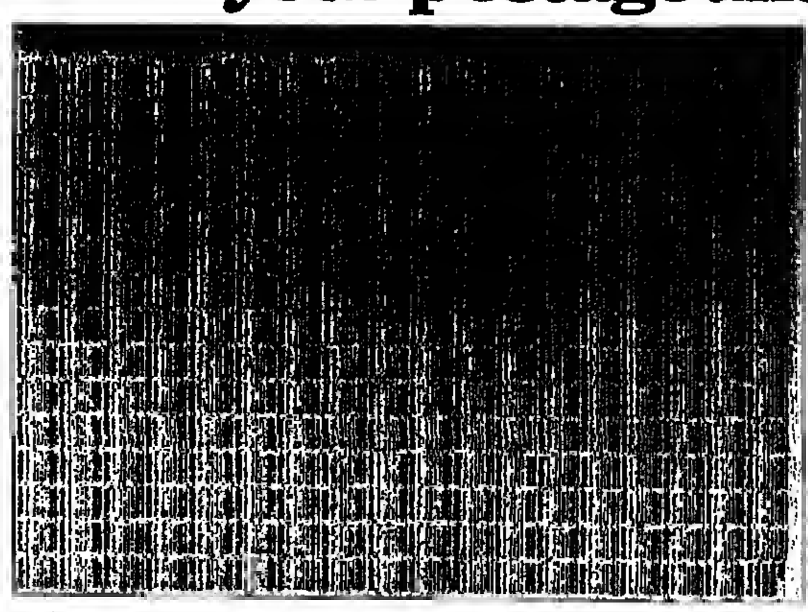

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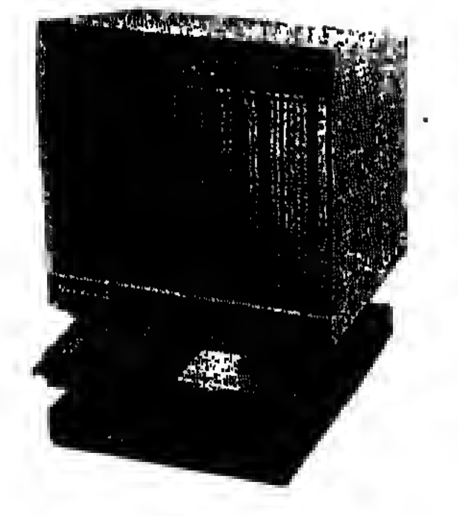

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*Regional development*

# as locals ask developers for answers to questions

pointing out that they were still investigating the local market.

The most crucial question for local councils obviously was who would foot the bill for the costs of development in the province.

Work on the ammonia-urea plant at Kapuni has already taken its toll on local services. About 600,000 cubic metres of earth fill is required to be transported to the site – about 95 truckloads a day. Only one-third of the fill has arrived and already the road has been damaged. Who is to pay?

Petrocorp argued that the road was inadequate before the work began. The local council replied that it was up to the standard required by the local community for whom it was responsible. No agreement was reached.

Taranaki County Council chairman Owen Balsom pointed out that projects of national importance belonged to "the country and not the county". His council was required to raise the level of a road in the county to meet the requirements of the new industries.

The cost could be as high as $400,000 and there was no legislation covering the financing of such an obligation. Would the ratepayers have to pay?

Neighbouring Clifton Council was facing a bill of $50,000 for planning procedures because it did not have the staff to handle the work. Because the council represented a population of only 3000, it seemed an unjustified cost.

Balsom deplored the lack of information released to councils by the petrochemical companies.

The Taranaki County Council, he said, had resorted to using its lawyer to obtain information on some aspects of the methanol plant application which was otherwise not available. It was vital that the council had access to all the information it required as the hearing under the National Development Act was the first of its kind and would set precedents for all further investigations.

Petralgas hastened to assure the seminar that it was continuing to communicate with the council's officers and in close contact with its legal counsel.

The Taranaki County Council representatives present, however, obviously remained unimpressed and the subject was closed.

Shortly after the seminar was held, the Government announced that extra funds would be made available to upgrade roading in areas where major energy-based industries were being constructed. This promise, however, has brought little comfort to Taranaki local authorities.

The Waimate West County Council still maintains a rapidly deteriorating road used in the construction of the Kapuni ammonia-urea plant. County manager Jack Dennett estimates that it will cost $400,000 to upgrade the road to a standard to cope with the further construction work and to transport the finished product to Port Taranaki.

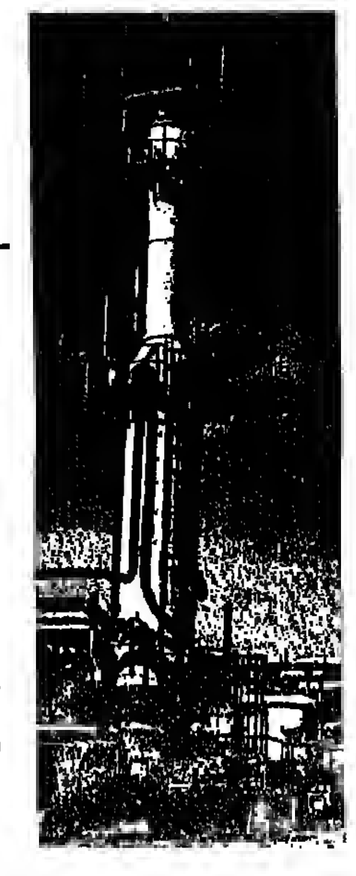
The council, which serves a population of just over 2000, does not have that kind of money, he claims, and the funds promised by the Government have not appeared.

The work on this road and on another, damaged by trucks transporting metal for the new plant, along with routine maintenance work delayed by last year's wet weather, have stretched the council's resources to the limit.

The recent comments by AGROW, weighing the merits of the country's involvement in the energy industry against further developments in agriculture, have caused many Taranaki people to re-evaluate their situation.

Many fear that they alone will have to finance the petrochemical industries in the area which must benefit the country as a whole.

The announcement early this year that the Taranaki Catchment Commission is to apply for a $128,000 loan to provide office and related facilities required by the proposed petrochemical industries is an example.



# Nelson port plans ready April

THE long-term port development plan for Nelson being prepared by a special projects team from the Ministry of Works is about two-thirds complete. And Nelson Harbour Board general manager Frank Baldwin says he hopes it will be ready for presentations to the board with recommendations by April.

It was originally hoped to have the 25 year port development plan ready by the end of last month. But that deadline has to be abandoned as unrealistic because of the delays in getting Government approval for the Ministry of Works team to undertake the project.

The involvement of the ministry became a matter for the Cabinet after a firm of consulting engineers complained that the job should go to private enterprise.

The special projects team, working with harbour board staff, has produced 10 scenarios against which port development in Nelson might have to take place. They are the result of detailed research into the area's timber resource and cover the various ways it might be exported – from logs to pulp, sawn timber and other processed wood products, and different mixes of raw and processed exports.

Similar exercises are being carried out on Nelson's other main exports, such as pip and berry fruits. But general manager Baldwin has no doubt that the port's main business in the future will be to cater for the timber trade in its various forms.

He says the special projects team has now been asked to move on to the next stage of assessing storage and berth requirements to cover the 10 scenarios and preparing development options, along with costings and economic assessments.

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